
II. Review of Research Projects

<Priority Projects>

1. China at the Crossroads: Dynamics of Economic Growth and Policy Decision-making

Organizer: Ken-ichi Imai

Economic policy affects the distribution of interests among various economic agents. As China undergoes the process of transition to a market economy, the quest for fairness and transparency in economic policy decision-making process has increasingly come to the fore. This research project combines political and economic analysis, which have tended to be conducted separately previously, and mainly through case studies focusing on specific issues, it explores the dynamics behind the policy decision-making process and China's current economic growth. In doing so, we highlight the complex interdependence between economic activities and policy decision-making. Research issues in our project will include the personnel policy of the Party and the government, especially in relation to economic factors; re-organization of economic related governmental institutions; macro-economic policy; investment and credit control policy; corporate and industrial policy; rural policy; economic policy at the local level.

The outcome of our study is due to be published in a book (in Japanese).

Co-researchers: Tang Liang (Hosei University), Tang Cheng (Momoyama Gakuin University), Kazutsugu Oshima (Qingdao Agricultural University), Tadashi Horiguchi (Miyazaki Municipal University); Norihiro Sasaki

2. Structural Reform of the Rural Economy and Change of Agricultural System through the Agro-industrialization Policy in Rural China

Organizer: Akihide Ikegami

Owing to the emergence of excess grain production as a result of protectionist policies and the low profitability of agricultural products in the late 1990s, the Chinese government has mitigated the protection of grain production and adopted a new agricultural policy, called the "Agro-industrialization Policy." However, it is extremely difficult for agribusiness companies to monitor cultivation by small scale farmers and adequately control the quality of farm

products, since farmers are numerous and geographically dispersed. Thus, this type of integration tends to induce problems of "asymmetric information" and "unenforceability of contracts." On the other hand, since the purposes and benefits are not necessarily the same between agribusiness enterprises and farmers, farmers are sometimes exposed to the risk that a contract will be abruptly breached or modified in favor of agribusiness enterprises.

In order to reduce conflicts and improve the balance of benefit and risk between agribusiness enterprises and farmers, great numbers of intermediary organizations such as agricultural cooperatives have been founded by large farmers and local governments in recent years. Along with the deepening of agro-industrial policy and the emergence of new intermediary organizations, the management of agricultural production and the economic structures of rural China have been greatly changed.

In this context, this research project has focused on two subjects. First, we have summarized the changes in rural China from the viewpoint of fiscal affairs, finance and labor by reviewing the major policies and their impacts on rural areas. Second, we conducted a questionnaire survey on agribusiness enterprises and new agricultural cooperatives to investigate the actual relationship among agribusiness enterprises, local governments and farmers and evaluate the significance of agro-industrial policy in rural China.

The final results of this research project will be published as Akihide Ikegami and Hisatoshi Hoken (eds), *Structural Reform of Rural Economy and Change of Agricultural System through Agro-industrialization in Rural China*.

Co-researchers: Hisatoshi Hoken (IDE), Mariko Watanabe (IDE), Mami Yamaguchi (IDE), Akihide Ikegami (associate professor, Meiji University), Keisuke Suganuma (professor, Tokyo University of Agriculture), Fumiki Tahara (associate professor, University of Tokyo), Romio Mori (JETRO)

3. China's Sustainable Development: Overcoming the Limit of Resources and Environment

Organizer: Nobuhiro Horii, Associate Professor, Graduate School of Economics, Kyushu University

China has been growing for more than a quarter of a century, however, natural resources and environmental problems

have been increasing recently. We, therefore, aim to investigate problems for securing stable supplies of resources and determine whether the environmental problems restrict sustainable growth in China.

Toward this end, we will grasp the actual conditions by collecting accurate data. Some studies on those problems in China have not been based on objective data because of problems of data availability. In addition, we will objectively evaluate policies executed by the Chinese government, such as energy saving, the introduction of equipment against air and water pollution, and the construction of a recycling-oriented economic system.

In addition, we will investigate recent activities to secure resources by Chinese firms as a measure against resources and environmental constraints. Chinese resource-related firms have attracted attention recently, which are moreover being recognized as a serious threat subjectively. To assess on the situation, we will consider the meaning of the overseas advances for economic growth, and perform cost-benefit analysis.

This year, we will up-date and enhance the interim report and build common understandings of some important issues among contributors for the final report. As a result of this year's activities, the final report will include more updated information and a more coordinated analysis framework, which will be published as one of the "Contemporary China Analysis Series" by the end of 2009.

Co-researchers: Koichiro Kimura (Development Strategies Studies Group, Development Studies Center), Kenji Otsuka (Environment and Natural Resource Studies Group, Inter-disciplinary Studies Center), Sizhi Guo (Lecturer, Division of Economics, Graduate School, Teikyo University), Zhongyuan Shen (Senior Researcher, Energy Demand, Supply and Forecast Analysis Group, Energy Data and Modeling Center, Institute of Energy Economics, Japan), Kenji Sawada (Deputy Director-general, Metals Strategy & Exploration Unit, Japan Oil, Gas and Metals National Corporation), Makoto Nagase (Research Fellow, East Asia Research Institute), Aya Yoshida (Researcher, Research Center for Material Cycles and Waste Management, National Institute for Environmental Studies), Michikazu Kojima (Director, Environment and Natural Resource Studies Group, Inter-disciplinary Studies Center), Tadayoshi Terao (Environment and Natural Resource Studies Group, Inter-disciplinary Studies Center)

4. Comparative Study on Industrial Development Process in China and India

Organizer: Moriki Ohara

Through the research project, we aim to explore the characteristics of the industrial development process in China and India in the contemporary globalizing world by comparing the mode of growth of indigenous firms and industrial networks. The project is unique in the following three points; namely; (1) we compare China and India with the East Asian Model, which has been developed based on the successful experiences of East Asian countries such as Japan, Korea and Taiwan in the last century, (2) each researcher who participates in the project conducts comparative studies on the specific industry of their interest, including, textile, automobile/motorcycle, software, electronics appliances, based on first-hand field surveys. In Fiscal 2008, which is the first half of a two-year project, each research team conducted comparative studies on the following themes, including; (1) inter-firm and in-house upgrading mechanisms of skills/capabilities in the motorcycle industry (Ohara), (2) entry and exit of firms in the electronics industry (Kimura), (3) skill formation system focusing on the education system (Asuyama), (4) inter-firm cooperation in the automobile industry (Shimane), (5) cluster development in the software industry (Hinata), (6) product development in the automobile industry (Marukawa), (7) Skill formation in software clusters (Okada), and (8) the role of local government (Kajitani). In addition, we conducted joint research with Shandong Institute for East Asian Studies, China, and Madras Institute of Development Studies, India. They completed comparative studies on cluster development of the textile (cotton knitting ware) industry. Overall, we found that; (1) entry is more active in Chinese industries, (2) market share is more stable in Indian industries, (3) the focus of competition is more-price oriented in China and more quality-oriented in India, (4) Indian firms enjoy a higher profit rate, (5) Chinese firms are larger in employment and production size in the manufacturing sector, and (6) Chinese firms tend to utilize outside resources whereas Indian firms tend to nurture resources in-house.

Co-researchers: Tomoo Marukawa (University of Tokyo), Aya Okada (Nagoya University), Kai Kajitani (Kobe Gakuin University), Koichiro Kimura, Yoshie Shimane, Hiromi Hinata, Yoko Asuyama

5. Prospects of the Indian Democracy: The Stability and Limits of the Democratic Regime in the Era of the Multi-party System and Economic Growth

Organizer: Norio Kondo

The purpose of this study group is to explore the limits

and problems of democracy in India, a country that has been experiencing rapid socio-economic changes since the 1980s. Today, Indian democracy faces many problems such as the rise of “Other Backward Classes,” the radicalization of Hindu nationalism, the spread of the ultraleft “Naxalite” movement in less-developed rural areas, terrorism, and separatist movements in the periphery of the Indian Union. In this study group, we have analyzed how these processes have become “puzzles” in Indian democracy.

The basic reason for the growth of these puzzles is the accumulation of the dissatisfaction of the people who are excluded from the mainstream of Indian democracy. Namely, Indian democracy has been unable to accommodate some people’s dissatisfaction within the existing democratic political institutions such as the political party, parliamentary system, local governments, and federal system.

The analysis of this study group shows that in some areas, these institutions have been flexible enough to absorb effectively the dissatisfaction of those who have been alienated or marginalized from the mainstream of Indian politics. But in other areas, they have not been successful. In particular, “Hindu majoritarianism against religious minorities” has been in the background of the puzzles of Hindu nationalism and terrorism. The spread of the ultraleft “Naxalite” movement is another area revealing the institutional inability of Indian democracy to distribute the benefits of democracy to marginalized people in the periphery such as the tribal people in less-developed regions. The limits and problems of the Indian democratic system shown in this study will be basic parameters when considering the future of India politics.

Co-researchers: Hiroshi Sato (researcher on South Asia), Kyoko Inoue (Daito Bunka University), Hideki Mori (Matsuyama Shinonome College), Noriyuki Asano (Otani University), Kazuya Nakamizo (University of Tokyo), Hiroki Miwa (University of Tsukuba); Hitoshi Ota

6. An Approach to Inclusive Growth: India’s Challenge

Organizer: Shigemochi Hirashima

The Indian economy has been growing rapidly. While the size of the economy has expanded, the fruits of economic growth have not been evenly distributed among regions, groups, households, and individuals. As a result, the gap between the rich and the poor is widening in the shadow of high economic growth. This is an alarming signal to the Indian government as it may lead to social unrest and politi-

cal instability, constraining further economic development. Our research addresses this issue and aims 1) to analyze the economic and social problems associated with inequality in Indian contexts, 2) to analyze the determinants of inequality and develop a new index on inequality, 3) to discuss what is necessary for India to bring fair economic dividends to all the people while maintaining the pace of economic growth: the concept of “Inclusive Growth” by the Indian government, and 4) to propose policy recommendations.

Our interim report is summarized as follows: Chapter 1 argues that conventional poverty studies lack a perspective on the holding of assets and Chapter 2 points out how current policy further widens economic disparity by analyzing the relationships between asset holdings and poverty in rural areas. Chapters 3 and 4 focus on primary education and infrastructure in Bihar, one of the least-developed states in India, revealing to what extent Bihar lags behind the rest of India and why this is so. Chapter 5 examines inclusiveness in the finance sector, based on household data from 1960s. Chapter 6 argues that Muslims tend to be less socio-economically developed, based on a review of the literature and policies. Chapter 7 highlights the gender aspect of disparity by focusing on the sex ratio and socio-economic development, based on a review of the literature. Chapter 8 discusses regional differences in voter behavior in Uttar Pradesh and factors behind it. Chapter 9 hints at widening disparities as the younger generation are increasingly unable to provide optimal support for the older generation.

Co-researchers: Takeshi Inoue, Seiro Ito, Norio Kondo, Kensuke Kubo, Kazuki Minato, Mayumi Murayama, Hisaya Oda, Yuko Tsujita

7. Vertical Specialization and Economic Integration in East Asia

Organizer: Daisuke Hiratsuka

Over the past several decades, the volume of world trade has grown rapidly. The increase in trading in intermediate goods has been cited as a possible factor explaining world trade growth. Intermediate trade rises when multinationals start to fragment their production processes geographically. Since the 1990s, new trade theory has been utilized in order to explain this phenomenon.

East Asia has deepened its industrial linkages since the 1980s. Tariffs on intermediate goods trading have been reduced and international barriers among countries are now being lowered. Consequently, multinational firms have begun to locate different stages of production in neighboring

countries, utilizing the characteristics of each country.

In this research project, we will empirically examine how trade costs, wage inequalities, and differences of factor intensity affect vertical specialization and economic integration.

Co-researchers: Daisuke Hiratsuka, Yoko Uchida, Keora Souknilanh, Hiromich Ozeki, Kazunobu Hayakawa, Fukunari Kimura, Kazuhiko Yokota, Toshiyuki Matsuura

8. Upgrading of East Asian Manufacturers in the Global Value Chains

Organizer: Momoko Kawakami

This research project investigated the capability development process of East Asian local manufacturers that underpinned their phenomenal rise in the world's competitive landscape of industrial production during the last few decades. To develop a research methodology, we employed the global value chains (GVC) perspective as a starting point. By extending and modifying the existing GVC perspective, we constructed our own analytical framework to explain the rise of firm capabilities amid value chain dynamics. Then, based on this framework, we carried out in-depth case studies to explore how the dynamic interactions between firms from developed and developing economies, together with other factors, mold and structure the rise in the capabilities of latecomer firms operating in the chains. Specifically, we explored how the changing configurations of technologies, industrial settings, and the local environment structure the strategies of firms operating in value-adding chains, and eventually shape the trajectory of capability formation by local manufacturers.

The final report of the research project will be published as an English volume in FY 2009. The first five chapters will present case studies on the development of the local manufacturers in the Taiwanese notebook PC industry, the Chinese mobile phone handset industry, the Vietnamese motorcycle industry, the Indonesian motorcycle industry, and the electronics industry in Penang, Malaysia respectively. The next chapter will investigate the international distribution of added-value among the East Asian economies in the production networks of the electronics and automobile industries. The last chapter is contributed by our joint research partners and will discuss the implications of major findings of the volume for future GVC research.

Co-researchers: Mai Fujita, Takahiro Fukunishi, Kenichi Imai, Yuri Sato (special advisor for board members of KADIN INDONESIA), Hiroshi Oikawa (University of

Nagasaki, Siebold Campus)

9. Economics of East Asian Integration

Organizer: Ikuo Kuroiwa

After encountering difficulties with import-substitution policies, East Asian economies changed their policy orientation and liberalized trade and investment. As a result, *de facto* integration preceded *de jure* integration especially in exported-oriented industries, where import tariffs on intermediate inputs were eliminated on the condition that all such outputs were exported abroad. Furthermore, rapid progress in transport and communication technology—as well as vigorous infrastructure development in this region—significantly reduced trade and transport costs. In *de jure* integration, an important turning point came with the signing of the AFTA agreement in 1992, and *de jure* integration has gained momentum as other East Asian countries have followed suit in signing free trade agreements with intra-regional as well as extra-regional countries. *De jure* integration promotes free movement of not only goods, but also of services, capital, and natural persons. Thus it is expected to have significant impacts on economic activities in the region.

This research project focuses on the economic integration in East Asia, and introduces various issues related to the economic integration—namely institution building of FTAs; production networks and location choice of MNEs; R&D and innovation; infrastructure development and transport cost; international migration and service trade; monetary integration; regional disparity and poverty. It also deals with energy, environment, and agricultural issues. The focal points of these issues are clearly and concisely discussed in each chapter. The project output is intended not only for academicians but also for policymakers and students.

Co-researchers: Masahisa Fujita (RIETI and Konan University), Mitsuyo Ando (Keio University), Ho-Yeon Kim (Sungkyunkwan University), Biswa Bhattacharyay (Asian Development Bank Institute), Nobuaki Hamaguchi (Kobe University), Wei Zhao (Zhejiang University), Eiji Ogawa (Hitotsubashi University), Kentaro Kawasaki (Toyo University), Nobuhiro Horii (Kyushu University), Masayoshi Honma (Tokyo University), Christopher Findlay (University of Adelaide), Satoru Kumagai, Daisuke Hiratsuka, Jiro Okamoto, Koji Nishikimi, Toshitaka Gokan, Kensuke Kubo, Ikumo Isono, Tomohiro Machikita, Michikazu Kojima, Etsuyo Michida, Hisaki Kono

10. A Study on the Mekong Region: New Development of Economic Corridors

Organizer: Masami Ishida

This research project focused on border areas, mainly of “Economic Corridors” of the Mekong Region, composed of Cambodia, Lao PDR, Myanmar, Vietnam, Thailand, Yunnan and Guangxi of China.

The cross-border movement of goods and people was examined by using trade and immigration statistics and reading the rules on cross border transport agreement (CBTA), exchange of traffic rights and border pass used mainly by inhabitants of border areas. In addition, economic activities in border areas such as establishing special border economic zones, border trade and casino business were analyzed. The development of special border economic zones has been started by utilizing the advantages of well-developed countries such as infrastructure and of less developed countries (LDC) such as cheaper wages and preferential treatment for LDC.

Three typical situations are considered theoretically. First, when the movement of goods and people are strictly regulated, economic activities become stagnant. Second, economic activities decline and a country border becomes similar to a provincial border when the goods and people move freely. For people of an LDC are likely to move to the major cities such as the capital city in order to earn better wages. Third, when the movement of goods and people are regulated moderately, economic activities utilizing the above-mentioned advantageous endowments of both a well-developed country and an LDC begin to thrive. On the other hand, regional development policies can be separated into two types. First, China, Thailand and Vietnam are likely to develop border areas as a poverty reduction policy. Second, Cambodia, Lao PDR and Myanmar are likely to develop border areas in order for them to make major cities or major industrialized areas.

Co-researchers: Masaya Shiraishi (Waseda University), Kenjiro Yagura (Hannan University), Ryo Ikebe (JETRO, Guangzhou), Toshihiro Kudo, Souknilanh Keola, Takao Tsuneishi, Daisuke Hiratsuka

11. The Formation of Industrial Clusters in Asia and Regional Integration

Organizer: Akifumi Kuchiki (Nihon University)

This research project was planned to examine the effect of decreased transportation costs as a result of regional integration on the formation of Asian industrial clusters, and

future trends. After the first year of the project, we submitted an interim report at the end of FY2008.

The interim report was organized as follows: Kuchiki applied a flow chart approach to Guangzhou and Vietnam and an industrial cluster policy for the electronics industry in northern Vietnam; Tsuji and Miyahara focused on the innovations in industrial clusters formed by small and medium-sized enterprises and found that the distance between the companies is important for the emergence of innovative activities; Suzuki and Keola examined the location advantages of Savan = Seno Special Economic Zone and Vientiane Industrial Park in Lao PDR, taking into account the North-South, Southern and East-West economic corridors in the Greater Mecong Subregion; Kameyama explained Korean industrial cluster policies and the superiority of the industrial complex to foster industrial clusters; Gokan examined conditions where manufacturing firms relocate from industrial clusters; Isono examined how the usage of free trade agreements by Japanese-affiliated firms might be improved by the formation of industrial clusters. He explained the industrial policy of Shanghai and the cluster formation of the auto parts industry with the contribution of Volkswagen in Shanghai; Komolavanij, Jeenanunta, Ammarapala, and Chongphaisal explained the strategy of Thailand toward free trade agreements and the influence of the ASEAN free trade zone and the Bay of Bengal Initiative for Multi Spectral Technical and Economic Cooperation to Thai industry clusters.

Co-researchers: Masatsugu Tsuji (University of Hyogo), Syoichi Miyahara (Aoyama Gakuin University), Motoyoshi Suzuki (Hiroshima University), Yoshihiro Kameyama (The International Centre for the Study of East Asian Development), Xiyu He (Fudan University), Somrote Komolavanij (Thammasat University), Chawalit Jeenanunta (Thammasat University), Veeris Ammarapala (Thammasat University), Pornpimol Chongphaisal (Thammasat University), Isono Ikumo, Souknilanh Keola, Toshitaka Gokan

12. The Role of Small Scale Finance in Rural Development: Rural Finance and Microfinance

Organizer: Miki Hamada

In rural areas of developing countries, poor people find it difficult to obtain sustainable finance because their credit demands are very small scale and they lack assets to use as collateral. For these reasons, they have been considered unbankable. This credit constraint is one of the main obstacles to the economic activities of the poor, especially in rural areas. Microfinance has been expected to mitigate

these constraints and to contribute to rural economic development and poverty reduction. Success of Grameen Bank leads to expand microfinance across the world. In recent years, many microfinance institutions have recognized the importance of saving and started new schemes such as “microinsurance” in addition to their lending programs.

Our research purposes are to analyze the impact of microfinance on poverty reduction and rural economic development and to clarify these mechanisms in three Asian countries: India, Myanmar and Indonesia. In India we conducted field experiments to clarify the problems of the current micro insurance schemes such as the increased claim rates and low renewal rates. In Myanmar a field survey was conducted in a fishing village without formal and informal financial operators and examined how the rural households cope with the various shocks they face. In Indonesia, we conducted two-year household surveys to estimate the impact of microcredit schemes: small amount and no-collateral on the living standards of low income households. We studied empirical determinants of how heterogeneous households are matched to different types of loan products in credit markets using mixed logit analysis. Although in Indonesia many MFI are commercialized, the shortage of funds is a serious problem. The effect of a linkage program, a bank loan program introduced by the government was also examined.

Co-researchers: Hisaki Kono, Seiro Ito, Ikuko Okamoto, Takayuki Higashikata, Kazushi Takahashi, Kazunari Tsukada

13. Poverty Reduction for the Disabled- Livelihood of the disabled in developing countries

Organizer: Soya Mori

In this study group, we tried to clarify the prescription and agendas by grasping the actual condition of people with disabilities’ (PWD)’ poverty based on governmental statistics on disabled persons in each country, and by conducting livelihood surveys. PWD’s poverty accounts for a considerable portion of the general poverty in developing countries.

The following chapters were contributed to the final report by the Area Studies researchers and the Disability Studies researchers. The main themes for Part I of the report were “Disability Statistics” and “Poverty Reduction.” Mori reviewed existing researches on “Disability Statistics” in Developing Countries. Nogami discussed the importance of the measure for poverty indexes for PWD’s livelihood maintenance.

In part II, the validity of the existing statistics published by each government was verified with additional information of PWDs’ livelihood situations in each country by each researcher’s field survey. From the nationwide sample survey by the Chinese government, Kobayashi reported that there are also more medical-expenses expenditures for PWDs than for non-disabled persons, while the PWDs’ employment rate was low. Teramoto reported that based on the field survey in Vietnam the “informal sector” such as the family member assistance to disabled persons’ livelihood plays important roles in Vietnam. Yamagata and Mori conducted a PWDs’ livelihood survey in Metro Manila in the Philippines, and found the poverty rate for PWDs is about 4 times higher than that for the general population and there is larger variation in the poverty distribution. Higashikata revealed the need for care in reestimating the Disability Incidence Rate and the importance of education access for PWDs based on the government statistics of Indonesia. Although the institutional development for PWDs livelihood security was progressing in Malaysia, Kuno reported that they do not have equal rights in security and still have many problems in securing their livelihood, such as the insufficient social security system and social prejudice. Fukuda revealed the gap between the actual conditions of PWDs’ livelihood and the government statistics of Thailand and these statistics cannot free themselves from the medical model of disability. Finally Kamei described an interesting example of a government free-of-examination recruitment system for PWDs in Cote d’Ivoire. As a whole, the book shows the significance of existing statistics to help us identify PWDs’ livelihoods possibilities, but there were still many agendas and we should conduct PWDs’ livelihood surveys to construct an effective framework for general poverty reduction.

Co-researchers: Nobutaka Kamei (Tokyo University of Foreign Language), Akiko Fukuda (Waseda University), Kenji Kuno (JICA expert), Tatsufumi Yamagata, Hiroki Nogami, Masayuki Kobayashi, Takayuki Higashikata, Minoru Teramoto

14. Life Security System of Elderly People in the Emerging Countries

Organizer: Koichi USAMI (Area Studies Center, IDE)

The aging of society is advancing in the emerging countries in Asia and Latin America leading to controversy in shaping policies to cope with the changed demographics. Aging is accelerating particularly in East Asian countries, while slow but steady aging is occurring in Latin Ameri-

can countries. In India, the proportion of elderly people is low but the absolute number of elderly people is huge, while aging of society is accelerating in Cuba. In short, the speed at which societies are aging and the policy measures adopted differ from country to country.

Aging can be analyzed using various methodologies from political science, sociology and especially medical science, and multi-disciplinary social gerontology has developed to study the aging of society and aging itself. In this research team, firstly we studied various theories of social gerontology, and focused on critical social gerontology, which criticizes mainstream social gerontology. Secondly, we surveyed previous studies on aging, policies toward elderly people and social security systems in each country. Thirdly, we surveyed the situation of elderly people, especially poor elderly people of each country. Concerning the social security system, we included not only public systems but also civil organizations and the private sector. And we examined the characteristics of the life insurance system for poor elderly people in the emerging countries.

We studied the following countries in this research team: South Korea, Taiwan, China, Hong Kong, India, Cuba, Mexico, Brazil, and Argentina.

Co-researchers: Ryouhei Konta (Area Studies Center, IDE), Akio Yonemura (Area Studies Center, IDE), Kanako Yamaoka (Area Studies Center, IDE), Hitoshi Ota (Area Studies Center, IDE), Keiko Hata (Waseda University), Kim Jo-Seol (Shinshu University), Yukari Sawada (Tokyo University of Foreign Studies), Yasuhiro Kamimura (Nagoya University), Shen Jie (Urawa University)

15. Disability and Law in the Developing Countries — From the Perspective of Establishing Legal Rights

Organizer: Masayuki Kobayashi

This research project analyzes the development of disability laws and its implementation in Asian countries referring to rights provided in the newly adopted UN Convention on the Rights of Persons with Disabilities to identify issues hindering the enjoyment of full rights by persons with disabilities. The project will research and analyze (1) disability laws, (2) remedy system for rights, (3) cases of litigation and complaint in each country to examine the feasibility of rights stated in the Convention such as non-discrimination, equality under the law and access to justice. This year, as the first year of the two-year project, we surveyed the situation and legislation regarding persons with disabilities in

each country and found issues to be discussed in the following year. The study covers Korea, China, Cambodia, Thailand, the Philippines, Malaysia, Indonesia and India.

It was found that most Asian countries have worked toward establishing the Convention and have also taken action to make their domestic laws compliant with the Convention either by passing a new disability law or by amending the existing law. For example, China amended the Law on the Protection of Disabled Persons in 2008. Thailand abolished the Rehabilitation law and issued the Persons with Disabilities Empowerment Act in 2007. Also, Korea has promulgated a new law called the Act on the Prohibition of Disability Discrimination and the Provision of Remedies in 2007, and Malaysia established the Persons with Disabilities Act 2008. Furthermore, Vietnam, Laos and Cambodia are in the process of drafting their law on disability. On the other hand, countries such as the Philippines and India, which earlier promulgated anti-discrimination laws inheriting the common law tradition, seemingly are not directly influenced by the Convention. However, ratification of the Convention is hoped for to secure efficient implementation of such laws.

Co-researchers: Noriyuki Asano (associate professor, Osaka Ohtani University), Satoshi Kawashima (research fellow, The University of Tokyo), Takanori Sai (DPI-Japan), Kikuo Nishizawa (associate professor, Kochi Junior College), Kenji Yotsumoto (professor, Kobe University), Izumi Chibana, Soya Mori

16. Development Strategies for Lowest-Income Countries

Organizer: Tatsufumi Yamagata

In the past, development strategies for developing countries were prioritized. Since result-based management was adopted to raise the effectiveness of international development, end results have begun drawing more attention than inputs and strategies. A symbolic culmination of the adoption is the Millennium Development Goals as people became interested more in poverty reduction strategies than development strategies.

However, widely discussed poverty reduction strategies are inclined to highlight service delivery income distribution to the poor rather than income generation of the poor. The latter aspect is critically important in order to develop scenarios for the destitute to escape poverty.

This project pursues strategies for the poor to generate income more effectively and steadily, based on development strategies, in contemporary low-income countries.

Two approaches were adopted. Firstly, case studies were conducted by observing the development of LDCs, which have accomplished considerable poverty reduction and economic growth. Bangladesh and Cambodia, whose economies have grown by 5-10 percent for the last several years, were studied from the viewpoint of labor-intensive exports-led growth. Secondly, dynamic aspects of income generation of the poor, which entail evolution of factory prices, technology and entrepreneurship were examined. Both static and dynamic impacts of trade liberalization, policy interventions in the labor market, and microfinance were reviewed.

This project will be completed in March 2010, and an economics-oriented survey written in Japanese will be published as the fruit of this project within 2010.

Co-researchers: Koji Kawabata (Kobe University), Yoko Asuyama, Takahiro Fukunishi, Masahiro Kodama, Hisaki Kono, Kazuki Minato, Kazushi Takahashi

<Major Projects>

17. Analysis of Current Affairs in Asia

Organizer: Naoko Amakawa

In this project, we analyzed the political, economic and social development of 2008 in the 22 countries and regions of the Far East, East Asia, Southeast Asian and South Asia. In addition to the country-specific reports, we investigated cross-country and extra-regional issues such as the current status of FTA in Asia, the developments of ASEAN and the US policy towards Asia.

Asian economics continued to show high rates of growth in the first half of 2008 under inflationary pressure. However, the bankruptcy of Lehman Brothers in the United States in September 2008 signaled the severity of the global financial crisis and the ensuing reduction of external demand. In many countries such as China and India, the growth rates of exports decreased in the fourth quarter and pushed down the GDP growth rate. Consequently, the one-year GDP growth rates of many Asian economics were lower than those of 2007.

These economic difficulties were reflected in political changes. In Taiwan and Pakistan, opposition parties came to power. In Nepal, after a successful election. The Constituent Assembly declared the abolition of the Monarchy and the establishment of a Federal Democratic Republic. On the other hand, in Thailand some people did not accept the result of the general election and the pro-Thaksin gov-

ernment widely deployed an anti-government movement to cause political disruption. In Mongolia, supporters of the opposition party, who were also dissatisfied with the result of the general election, protested against the ruling party. As a result, the ruling party chose to establish a coalition government.

Regarding international relations, the relations between North and South Korea were aggravated because North Korea strongly opposed the Lee administration of South Korea for requiring the abandoning of their nuclear program as the prerequisite for economic support. As for the relations between China and Taiwan, after the government of the Chinese Nationalist Party was established in Taiwan, both countries' parties exchanged party members and improved the private exchange relation.

Terrorism is still an important problem in South Asia. Many terrorist events occurred in Afghanistan, Pakistan and Sri Lanka in 2008. In addition, when a terrorist group started in Pakistan committed a series of terrorist attacks in Mumbai, India, relations between these two countries became militarily tense.

The research results have been published in the *Yearbook of Asian Affairs 2009* (in Japanese) as well as in *Ajiken World Trends* (monthly journal in Japanese).

Co-researchers: Koji Murata (Doshisha University), Koichi Sato (Oberlin University), Kumiko Mizuno (Shinsei Co., Ltd.), Hideo Toyota (Consulate General in Kolkata), Masami Mizuno (Nihon University), Fumihiko Otsuki (Kobe Shukugawa Gakuin University), Kensaku Mimiya (Osaka University), Jiro Okamoto, Sanae Suzuki, Hiroyuki Nikai, Satoru Okuda, Masahiko Nakagawa, Norihiro Sasaki, Mami Yamagushi, Satoru Morita, Takayuki Takeuchi, Hiroshi Ikegami, Minoru Teramoto, Shozo Sakata, Norihiko Yamada, Nobuhiro Aizawa, Shinichi Shigetomi, Tsuyoshi Kawanaka, Yurika Suzuki, Masashi Nakamura, Koichi Kawamura, Takayuki Higashikata, Toshihiro Kudo, Yuko Tsujita, Kazuki Minato, Etsuyo Arai, Yoshihiro Nakanishi, Hisaya Oda

18. Compilation and Use of the 2005 BRICs International Input-Output Table

Organizer: Satoshi Inomata

In recent years, the newly emerging market economies called "BRICs" (Brazil, Russia, India, and China) have been rapidly developing in the world economy. The BRICs possess immeasurable economic potential (abundance in natural resources, labor, etc.) and have been expanding external trade and attracting foreign direct investment as a

result of changes of their political and economic systems since the 1990's. The emergence of the BRICs has affected the industrial structures and production networks in the world. Although the growth rates of the BRICs countries have decelerated due to the economic crisis that begun in the United States in 2008, this is evidence that these countries have strengthened their industrial linkages with other countries in the world such as the U.S., EU and Japan.

Thus the impact of BRICs on international industrial structures must be grasped. The International Input-Output Table, which contains the BRICs and other major economic areas (Japan, the U.S., and the EU), enables us to address this problem. For this purpose, extensive research was conducted in this study group in order to compile the BRICs International Input-Output Table for the year of 2005 to grasp the above structural changes. The study also conducted various empirical analyses using the input-output tables of target countries as well as investigating the compilation methodologies.

Co-researchers: Masaaki Kuboniwa (professor, Hitotsubashi University), Nobuhiro Okamoto (associate professor, Daito Bunka University), Hiroshi Kuwamori, Hajime Sato, Yoko Uchida, Bo Meng

19. Compilation and Use of the 2005 Asian International Input-Output Table (II)

Organizer: Hiroshi Kuwamori

The recent proliferation of market openings in Asian countries (e.g. China's entry to WTO in 2001) promoted the relocation of the production base of multilateral firms through expansion of the mobility of labor, goods and services. In addition, due to the emergence of new market economies such as BRICs, the production networks in the Asia-Pacific region have become increasingly complex. This increasing complexity of industrial linkages in the region is also obvious from the fact that the economic crisis that occurred in the United States in 2008 is severely affecting industries in Japan and in other Asian countries.

In this connection, extensive research was conducted in this study group on the compilation of the Asian International Input-Output Table for the year 2005 in order to grasp the above structural changes that occurred in the Asia-Pacific region and to provide a powerful analytical tool that enables us to measure the impacts of economic shocks. The study also investigated analytical methods using the international input-output tables as well as the compilation methodologies.

Co-researchers: Yoko Uchida, Satoshi Inomata, Hajime Sato, Bo Meng, Chiharu Tamamura

20. Compilation and Application of Trade Indices IV

Organizer: Yosuke Noda

This research project examines data on the problems of formulating world trade models, in addition to calculating trade indexes and their utilization. This project continues previous studies on the "World Trade Data System: Arrangement and its Application," "Estimation and Application of Trade Indices" and "Compilation and Application of Trade Indices II" "Compilation and Application of Trade Indices III" research project, respectively. This project covers three main fields: (1) Problems in the compilation and evaluation of world trade matrixes, the formulation of time series data employing common trade classifications, (2) Formulation and evaluation of trade price indexes for East Asian countries and regions, (3) Investigation of international comparisons and economic analyses employing various trade indexes in addition to trade price indexes.

Some of the results of this year's project were published in IDE Statistical Data Series No.93 titled *Trade Indices and Change of Trade Structure* compiled by Noda, Kuroko, and Yoshino. Part 1 in the series deals with subjects in the field (1): Evaluation and correction for consistency of UN Comtrade data, Evaluation and correction of trade data: case of Japan and Korea, Circumstances of foreign trade statistics in CLMV countries, Long-term Chinese trade Statistics Part 2 with subjects in the field (2): Compilation of trade indices using UN Comtrade data based on SITC and HS, Effect of commodity classification on the formulation of export unit value indices, Structural changes in the electronics industry and intra-industry in East Asia, Part 3 with subjects in the field (3): Technology choice and changes in the trade structure of the IT industry, International trade and productivity, efficiency and technical change in agriculture. Part 4 in the series deals with subjects of some trade indices formulated by this research project, showing trade unit value indices for 11 countries and regions. The indices are calculated according to the chain-linked Fischer index formula using UN Comtrade data for various SITC revisions and HS versions

Co-researcher: Soshichi Kinoshita (Nagoya University), Kyouji Fukao (Hitotsubashi University), Masanaga Kumakura (Osaka City University), Masahiko Gemma (Waseda University), Jun Nakamura (Researcher of Economic and Trade Data), Hisao Yoshino, Masato Kuroko

<Projects focused on urgent, pressing, or timely subjects>

21. Socialist Economy of DPRK after Nuclear Testing

Organizer: Masahiko Nakagawa

The economy of D.P.R. of Korea has been gradually recovering since the mid-1990s when the country was hit by severe flooding. But the country now faces economic sanctions implemented by several countries, including Japan, in response to the missile tests, conducted in July, and the nuclear explosion test in October 2006. This research project surveyed the current economic situation of D.P.R.K. We analyzed the national budget, the population, the policies to promote foreign trade and to attract foreign investment, and the details on the inflow of foreign aid.

Co-researchers: Moon Ho-II (Hitotsubashi University), Park Jaehoon (Korea University), Satoru Miyamoto (Japan Institute of International Affairs)

<Basic and Comprehensive Studies>

22. Communitarianism in Thailand: Its formation, development, and institutionalization

Organizer and researcher: Shinichi Shigetomi

Communitarianism, an ideology that advocates collaboration among people and a nature-friendly way of life instead of the penetration of the market and state system, has influential political support in present Thailand. The Constitution declares ‘community rights’ and the national economic and social development plan frequently mentions the importance of ‘community economy.’ Originally this concept was discussed within a small circle of NGOs and scholars to assert their specific concerns such as rural development, economic history, and medical reform. From the late 1980s, the concept has been expanded into three areas. First, it was interpreted as a Thai indigenous culture that stimulated nationalistic feelings and drew the sympathy of some state elites. In the early 1990s, some politically active NGOs and social movement activists applied this concept to promoting people’s rights against the authority of the state. Some reformists who sought more gradual and modest changes in the state system use the concept of community to describe an ideal state and society. This concept was accepted by influential political factions in Thai society by the mid-1990s. Some advocates were then

involved in the political reform process after that and were successful in inserting the communitarian concept into the Constitution and other state institutions.

23. The Role of Administrations in the Transformation of China’s Telecommunications Sector

Organizer: Norihiro Sasaki

This study examines trends in the current Chinese telecommunications regime, and highlights the limits of the telecommunications competitive paradigm in China. In particular, the study focuses on the practice of the Ministry of Information Industry as the regulator of both telecommunication operations and equipment manufacturing. For example, what constraints must it take into account when formulating telecommunications policy? These issues provide useful grounds for studying not only telecommunications policy, but also in reforming administrative structures.

24. Korea’s FTAs and Their Effects on Her Major Trade Partners

Organizer: Satoru Okuda (Senior Research Fellow, Area Studies Center)

In 2003, Korea launched the “FTA Roadmap,” with which she has simultaneously tried to conclude free trade agreements with her major trade partners. The most impressive achievement was the Korea-US FTA, concluded in June 2007, which greatly surprised neighboring countries such as Japan and China who have not even started FTA negotiations with the United States. Also, it is expected that Korea will soon conclude FTA negotiations with other major trading partners, such as the EU and India.

This study comprehensively outlined Korea’s FTA policy after the Asian Currency Crisis, with emphasis on tariff reduction and its export expansion effect. Specifically, the study surveyed Korea’s FTA policies and their achievements, and analyzed the economic and political effects of the FTAs on Korea’s FTA partners, Korea herself and third countries.

The final report showed that Korea gradually reduced her royalties on the GATT-WTO regime in favor of FTAs, in the process of restructuring the external economic policy to cope with the severe damage that the Asian Currency Crisis caused to the economy of Korea. The report also expected that, under a particular assumption, implementation of Japan-Korea FTA would result in Japan’s increasing exports to Korea by 3.2 billion dollars, which is three times the possible damage to the economy of Japan associated

with the full implementation of Korea-US FTA and Korea-EU FTA.

25. A Study on China's Industrial Clusters and Specialized Markets

Organizer: Ding Ke

This research project clarifies the reasons why specialized markets, a seemingly primitive institution, were paradoxically upgraded and expanded along with the development of the industrial clusters in transitional China. In the final outcome of the project, Chapter 1 reviews SME-related literature and points out that the specialized market has had the following three major impacts on SME studies, namely, the market conditions for SME development, the producer-distributor relationship, and the platform for SME fostering. Chapter 2 presents a framework of the Two-sided Platform for specialized market analysis. Chapter 3 overviews the general situation in the specialized markets of Zhejiang Province, the "Province of Markets." Chapter 4, 5 and 6 present a case study of Yiwu China Commodity City. This market is not only the largest specialized market in China (perhaps in the world), but also the most important innovator in the specialized market system. Focusing on this market, we clarified the evolutionary mechanism of the specialized market system in the whole of China. Chapter 7, 8 and 9 present a case study of Changshu Zhaoshang City. This is a latecomer market, and the Changshu apparel cluster where the market is located has no tradition of long-distance trade. In spite of these poor initial conditions, Zhaoshang City has grown into the largest apparel specialized market in China. Based on the case study of this market, we discussed whether the experience of Zhejiang specialized markets can be applied to other regions. The Conclusion discusses the reasons why the specialized market system was able to appear in China during the economic transition period. We argue that the specialized market system is the result of the interaction between the domestic market, traditional merchants, and local governments. We further point out that the upgrading of the specialized-market-based industrial clusters is not caused by any single company, but simply by the development of the whole of the specialized market system itself.

26. Competitiveness and Constraints of Private Companies in the Middle East

Organizer: Ichiki Tsuchiya

Since the beginning of the 1990s, some Middle Eastern countries have implemented effective economic reforms

promoting the private sector as the main engine of economic growth. As a result, the share of private entities in some economies such as GCC countries and Egypt has increased gradually in recent years. However, the private companies seem to face various obstacles due to immature market conditions.

In this context, this research project analyzed the attainment and constraints of private companies in some reform-minded Middle Eastern economies. As the first year of a two-year project, research was conducted to clarify the current development circumstances of private entities through published data collection and literature review for some economies. The outcome was compiled and published as an interim report (in Japanese) in March 2009. The interim report is composed of six chapters. In the first half of the report (from Chapter 1 to Chapter 3), we discuss the macro economic issues of private sector development in the region. The second half of the report deals with individual countries. We focus on the development of non-oil sectors in Bahrain and UAE in Chapter 4, and small-scale enterprises in Egypt in Chapter 5 and 6.

The research project continues in 2009 for further analysis and the final report will be published in the IDE Research Series (in Japanese) in 2010.

Co-researchers: Erina Iwasaki (Hitotsubashi University), Kenichi Kashiwagi (University of Tsukuba), Shinsuke Nagaoaka (Kyoto University), Jun Saito, Yoko Iwasaki

27. Globalizing Islamic Banking and Situation in Each Country

Organizer: Sadashi Fukuda

Since the opening of Dubai Islamic Bank in 1975, Islamic finance has developed remarkably in terms of its number and field. Many Islamic banks have been established in the Middle East, South-East Asia and South Asia. Islamic finance has expanded its field of activities from banking to a wide range of financial operations, such as Takaful (Islamic insurance), Sukuk (Islamic bonds), Islamic mutual funds, etc. Today Islamic finance plays an important role in economies in the Gulf area and Malaysia. In non-Islamic countries such as European countries, the number of financial institutions involved in Islamic finance has been increasing.

Islamic financial institutions are performing their financial operations in accordance with Islamic law (Sharia). To avoid earning interest, which Islamic law prohibits, Islamic financial institutions use Islamic facilities called Mudaraba, Musharaka, Murabaha, Ijara, etc. for their fi-

nancial transactions. Also a Sharia board organized within Islamic financial institutions checks their financial activities' compliance with Islamic law. The characteristic form and financial facilities of Islamic finance and its development have attracted strong attention in Japan.

Our study group studied the development and current situation of Islamic finance in the Middle East, South-East Asia and South Asia as well as in non-Islamic countries, where Islamic finance plays an important role in economies. In the first year (FY2008) of a two-year project, we studied Islamic finance paying attention to both banking and Islam with experts from JBIC and Kyoto University participating in our study group as co-researchers.

Co-researchers: Etsuaki Yoshida (JBIC, Japan Bank for International Cooperation), Mehboob ul Hassan (Kyoto University), Shinsuke Nagaoka (Kyoto University), Hitoshi Suzuki, Miki Hamada, Rika Nakagawa, Jun Saito

28. Changing the Management Strategies of Vietnam's Economic Entities

Organizer: Shozo Sakata

This two-year research project reveals how Vietnam's economic entities have grown under the drastic socio-economic changes in the era of globalization. Vietnam's economy has experienced, since the end of the last century, rapid structural changes in the process of participation of global as well as regional economic integration. Its entry to the WTO in January 2007 accelerated Vietnam's policy reform towards liberalization of trade and FDI inflow.

The research analyzes in detail the management strategies (finance, investment, networking, employment, etc.) of Vietnam's economic entities. The research covers various types and sizes of Vietnam's domestic economic entities such as large-scale SOEs, small SOEs governed by local authorities, 'equitized' (not necessarily privatized) former SOEs, private enterprises in the manufacturing sector, rural entrepreneurs, etc.

One of the major findings of the research includes the fact that Vietnam's economic entities have accomplished various kinds of qualitative changes in order to cope with the rapid changes of their surrounding business environment. They have employed various measures such as technical upgrading, shift to new areas of business (in particular real estate sector), diversification of capital acquisition, adoption of new corporate governance, formation of strategic partnership with other entities, etc. However, these strategic measures may sometimes conflict with Government industrial policies that advocate enhancement of the

competitiveness of domestic industry in the international market.

The final results will be published in the IDE Research Series (in Japanese) in 2009.

Co-researchers: Kenta Goto (Kansai University), Yoko Ogimoto (Nomura Research Institute), Mai Fujita, Minoru Teramoto, Futaba Ishizuka, Akie Ishida

29. Community-Based Organizations and Civil Society in Rural Africa

Organizer: Yuka KODAMA

The aid policy of international donors for Africa expects the contribution of civil society organizations to complement some roles of governments in developing countries. There is considerable debate regarding the application of the concept of civil society to African societies because the concept is derived from Western culture. This research project aims to analyze the current situation in rural society in Africa through focusing on the transformations of the states and societies that are raising issues regarding civil society in Africa. The final results will be published in the I.D.E. Research Series (Japanese) in 2009.

The final report aims to offer a new perspective on the transformation of rural societies in Africa, avoiding a simple dichotomy between "modernity" and African society. This report has two aspects. One is to analyze activities by people in rural societies while the other is to analyze how rural society is affected by the change of national politics and economic liberalization, focusing on the relation between state and rural society. While these two aspects are interrelated, the focus of each member is varied according to the case studies.

The final report consists of an introductory chapter and seven papers with specific case studies. The four papers focus on the people's interactions in their community, such as associational life and community-based organizations in rural societies in Ethiopia, "participatory" forest management in Kenya and Tanzania, a participatory development project in Tanzania, and gender issue in the participation in community-based organizations in Ethiopia. The three papers have focuses on the relationship between the state/market and rural society; the producer's organizations in Ghana, the land ownership system in Zambia, and the mechanisms and the role of popular justice in rural societies in Rwanda.

Co-researchers: Keiichiro Matsumura (assistant professor, Graduate School of Human and Environmental

Studies, Kyoto University), Shuichi Oyama (associate professor, Department of Geography, Tokyo Metropolitan University), Kazuhiko Sugimura (Professor, Center for Arts and Sciences, Fukui Prefectural University), Tsutomu Takane (professor, Department of International Agricultural Development, Tokyo University of Agriculture), Shinichi Takeuchi (Institute of Developing Economies) Gen Ueda (associate professor, Graduate School of Environmental Studies, Tohoku University)

30. Integration System of Stock-Raising Business in Latin America

Organizer: Tatsuya Shimizu

Among agricultural sectors, “the industrialization of agriculture” has progressed most in the broiler chicken industry. There are two main aspects to its industrialization: introduction of new technology and closer vertical coordination. New technology refers to the technological advances in genetics, nutrition, medicine, building and equipment. Closer vertical coordination refers to the integration of different activities in the broiler industry, such as developing new breeding lines, feed milling, growing, processing and marketing. The coordination is realized by contract or through ownership, and it is called vertical integration.

This research project analyzed the development of the broiler chicken industry and the formation of vertical integration in three countries in Latin America: Mexico, Peru and Chile. We analyzed the development of the broiler chicken industry focusing on historical aspects, market structures, industrial organization and corporate strategy.

In all three countries, the supply and demand of chicken meat expanded rapidly during the 1980s and 1990s. During these two decades, competition among broiler chicken producers and integrators increased because of the economic crisis and liberalization of the national economies in these countries. Further pressure was added by the rise of cereal prices in the international market in the mid-1990s. In order to survive, producers and integrators introduced new technology and accelerated vertical integration.

There remain some differences between the integration in the broiler chicken industry in Latin America and that in the United States and Japan. In some countries in Latin America, the integration only includes up to the production of broiler chickens, and does not reach to the processing and distribution. The other difference is that integration of production through ownership is much more common in Latin America than in the United States. We concluded that the market structure and agricultural policy and institutions of each country determine how the vertical integration in

the broiler chicken industry develops in each country.

Co-researchers: Taeko Hoshino, Koichi Kitano

31. Political Economy of the Oil Industry in Developing Countries

Organizer: Aki Sakaguchi

The oil price has experienced high volatility in recent years due to various factors such as the accelerated growth of oil demand in China, the sudden shrinking of the oil demand due to the financial crisis, and the inflow/outflow of speculative capital in/from the international oil market.

The other important factor that lies behind the recent evolution of the international oil industry is the rise of national oil companies (NOCs) as the most important oil producers in the world since the nationalizations in the 1960s and the 1970s. The relationship between NOCs and the government has changed over time, and that has been one of the most important determinants of the orientation of the national oil policy, which has experienced swings between the state-oriented and the market-oriented ones. Besides, the game for the oil rent, which used to be played between the international oil majors and the governments of the oil producing countries, is now played between NOCs and the government, or among several sectors within the country, particularly between the central government or oil companies on one side, and local governments, local residents, and ethnic groups on the other side.

This study project consisted of two groups. The first group analyzed the oil policy of four countries (Venezuela, Russia, Indonesia, and China) that have experienced swings between the state-oriented policy and the market-oriented one. The comparison of the four cases implies that the political decision-making process and the neoliberal economic reform in general have been important determinants of the orientation of the oil policy.

The second group (Ecuador and Nigeria) analyzed the cases in which local voices, such as local residents and ethnic groups, have grown as critical factors in the oil policies in recent years. The experiences of the two countries show that the rise of social movement and their global networking since the 1980s has been a common factor backing the local voices to gain attention and legitimacy to claim their share of oil rent.

Co-researchers: Aki Sakaguchi (organizer), Katsuya Mochizuki, Yuri Sato, Hidekazu Araki (Kanagawa University), Nobuhiro Horii (Kyushu University), Shoichi Ito (ERINA)

32. Transformation of Africa's Economy and Its Dynamism

Organizer: Katsumi Hirano

This project examined the cause and characteristics of the economic growth of Africa during the period of natural resource's price hike, especially from 2003 to 2007. To perform this task, China's policies for Africa, the new policies for Africa in the U.S. and Japan, and FDI waves toward Africa were considered. The project recommends that Japan transforms its ODA policy.

Two papers produced by this project will compose parts of a new book titled "African Issues: the History of Development and Aid," which will be published through an outside publisher.

33. Global Capital Flow and East Asian Emerging Market Countries

Organizer: Kozo Kunimune

How to raise sufficient funds for continuous development has been one of the most important questions in the development strategy of the developing countries. Emerging East Asian countries, which have achieved high saving and investment ratios vis-à-vis their GDP, are considered to be successful in this regard. This means these countries mobilize and utilize their domestic resources (funds) successfully. However, capital flows from the outside world, such as foreign direct investment, also played an important role in the development of East Asian countries.

However, the Asian Currency Crisis about 11 years ago underscored the risks accompanying foreign capital inflows. In due course, many of the emerging Asian countries became much more cautious in terms of foreign reserves management, and hoarded up large amounts of reserves as a result. And this has led to the strange situation in which these developing economies became net exporters of capital, while developed countries, notably the US, became net importers of capital, although the traditional economic theory predicts just the opposite. The benefit and costs of this strategy in the developing world raises controversy among scholars and policymakers and no consensus has been reached.

In our study, we focused on the recent 20 years of the Asian Currency Crisis, and examined flows of capital to and from East Asian countries, individually. We examined and evaluated: 1) financial liberalization policies, especially capital account liberalization policies, 2) changes in financial intermediation, 3) break down of capital flows with special emphasis on the changes in foreign direct invest-

ments, and 4) foreign reserves and exchange rate policies. In addition to these, we will incorporate the implications of the recent financial crisis originating in the US subprime loan problem, for the East Asian countries.

Co-researchers: Masaaki Komatsu (Hiroshima University), Fumiharu Mieno (Kobe University), Yasuo Sone (Nihon University), Yuichi Takayasu (University of Tsukuba), Hitoshi Sato, Chie Kashiwabara, Kazuhiko Oyamada

34. Business Cycle Costs in Developing Countries

Organizer: Masahiro Kodama

Recently, the literature on business cycles in developing countries has been expanding. In this article, we focus on the costs of business cycles in developing countries. While the topic is significant in evaluating the importance of economic policy smoothing out business cycles in developing countries, previous studies on the topic are limited. This research is aimed at deepening our understanding about developing countries' business cycles.

In the rather limited literature on this subject, one previous study reported that the cost of business cycles in developing countries was considerably larger than those in industrialized countries. Meanwhile, another study found that if we measure the consumption volatility of developing countries from carefully processed data, the consumption volatility is not particularly large. In our study, we determined whether the costs are considerably larger even with carefully processed consumption data.

As a result, we found the cost of business cycles in developing countries is not very different from that of the United States. The ratios of developing countries' business cycle costs to that of the United States are less than unity, in low ratio cases. In high ratio cases, the ratios are approximately 10, and not 100 in our sample, except for a sole case.

35. Developing Countries and Fiscal Administration Issues

Organizer: Chie Kashiwabara

In our research project, we analyzed the arising/possible issues throughout the fiscal management process – from budgeting to implementing in the fiscal administration – responding to the question, "Why do developing countries have obstacles in realizing autonomous fiscal management?" applying a broader view from economics, political economy and institutionalism as well as public finance. Based on the final report of this two-year project,

Fiscal Issues in Developing Countries: Revenue and Expenditure, Debt and Governance is to be published as IDE Kenkyu-Sosho No.583 in January 2010.

Our final report consists of three parts and is summarized as follows: in the first part titled “Issues on Revenues and Allocations,” four country studies (the Philippines by Suzuki, Vietnam by Hanai, Egypt by Tsuchiya and Korea by Kook) clarify the problems each government tackles under different conditions for fiscal management in each country in the economic reform period, for example, political influences on the tax system and distortions caused during the law-making process, administrative demarcations and tax-source allocation between the central and local governments, etc.; in the second section titled “Debt Management as a Medium-Term Issue, two case studies (Malaysia by Nakagawa and the Philippines by Kashiwabara) analyze the government’s efforts and approach in designing its system of public debt management, which contrasts the progress and actual status in each country; in the third section titled “Related Policies and Their Influences on Fiscal Administration,” governance issues and monetary/exchange-rate policies are discussed. Oyamada presents an empirical model to analyze the influences of corruption and lobbying, and Nogami reflects theoretical backgrounds to sound fiscal management achieving poverty alleviation. Kunimune reviews the balances between inflation tax and seigniorage in developing countries using cross-country panel data, and Mitsuo discusses the sustainability of Argentina’s currency-board system in 1994-2001. Based on all analyses in the report, the introduction (Kashiwabara) reveals that central governments in developing countries inevitably need to facilitate selective and coordination capabilities by themselves and to timely prioritize policies depending on different given conditions, regional disparities and developmental stages, etc.

Co-researchers: Kiyohito Hanai (Seijo University), Jongho Kook (Yokohama City University), Kozo Kunimune, Hisayuki Mistuo, Rika Nakagawa, Hiroki Nogami, Kazuhiko Oyamada, Yurika Suzuki, Ichiki Tsuchiya

36. Macro-economic Models for the Late-Comer-ASEAN Countries: Cambodia

Organizer: Jinichi Uemura

The IDE has been cultivating know-how to construct macro-econometric models for developing economies and various kinds of analyses. Economic forecasts were also conducted with those models. In FY2008, we targeted Cambodia. In comparison to other ASEAN economies of

which we have already compiled datasets and constructed models, the CLMV countries would have steeper approaches.

Among the CLMV countries, IDE has already constructed a Vietnam model for forecasting. On the Laos economy, there are several previous studies. Myanmar on the other hand is not currently being targeted since the country is under military administration. In FY2008, a database for the Cambodian economy was compiled to construct two different types of macro-econometric models that are to be involved in the ASEAN-wide trade link model (which is also under construction). With the models, we performed some simple but interesting simulation trials.

37. Entrepreneurship and International Trade with Financial Market Imperfections

Organizer: Hitoshi Sato (Author)

It is widely recognized that financial intermediaries play an important role in supporting entrepreneurs who start innovative activities such as new businesses and R&D. This paper studies the formation of the entrepreneurial class in a simple trade model in which asymmetric information between entrepreneurs and financial intermediaries limits the extent to which the entrepreneurial class prospers. In a world economy with two countries identical except for the efficiency of financial intermediaries, the country with more efficient financial intermediaries exports the entrepreneur intensive good. This country not only expands the entrepreneurial class but also enjoys reduced agency problems resulting from improved terms of trade. However, if free trade in the financial intermediary sector is also permitted, the country with more efficient financial intermediaries loses comparative advantage in the entrepreneur intensive good and does not enlarge the entrepreneurial class relative to autarky. In particular, without international capital mobility, this country’s entrepreneurial class would be smaller than the other country’s. Also, the agency problem in the entrepreneur intensive good would be worse than that for the other country.

38. The Intellectual Explosion of the Pacific Island Countries and Political / Social Transformation

Organizer: Mitsuki Shiota

In the 17th century, Francis Bacon wrote “Knowledge is power” at the inception of the Western Modern Era as Europe experienced the Scientific Revolution. And in Japan, 5 years after the Meiji Revolution, Fukuzawa Yukichi published “Invitation to study” which became a sensational

best-seller. Thus, modernization involves intellectual explosion. Modernization in Oceania is no exception to this pattern.

The Christian missionaries first brought reading and writing to the Pacific Island cultures. They translated the Bible into the vernacular languages of the islands and taught the islanders how to read and write.

So, the Christianization of the island cultures was, at the same time, 'the letter cult'. And the letters, especially English letters, have become the key to the treasure trove of Western modern knowledge and its vast material culture.

Nowadays, in the Pacific Island countries, a rapid process of stratification is ongoing. Parents have realized that the success of their children is directly dependent upon their education and are eager to give them a modern education. The pressure of intellectual selection inherent in modern civilization is exerting its effect on the islands of the Pacific ruthlessly. However, Pacific Island countries lack the intellectual infrastructure and the educational ability in natural science and mathematics. There is potential for Japan's educational experiences to be shared.

Co-researchers: Kazuhiro Kazama (Graduate School of Humanities and Social Sciences' University of Tsukuba), Daichi Ishimori (Research Institute for Languages and Cultures of Asia and Africa, Tokyo University of Foreign Studies), Satoshi Tanahashi (Division of Human Sciences, Graduate School of Humanities and Sciences, Ochanomizu University), Takehiro Kurosaki (Oceania Division, Asian and Oceanian Bureau, Ministry of Foreign Affairs), Jyun Baba (research fellow, The Japan Society for the Promotion of Science' Tokyo University of Foreign Studies)

39. The Birth of Capital Goods Market and Foreign Direct Investment to Russia and Vietnam

Organizer: Junko Mizuno

A country with high economic growth generally attracts investment leading to the creation of a capital goods market. Are capital goods supplied into its capital goods market domestically produced capital goods or imported capital goods? If they are imported goods, we explain why the capital goods are imported from the country using a technical network hypothesis. Russia and Vietnam were the subjects of analysis.

Vietnam became a member of the WTO in 2007, and Russia is still undergoing participation negotiations. Both countries have recently undergone high economic growth. Russia obtained a huge influx of foreign currency as a result of the international rise in the price of oil and gas, and

invested in machine tools, transportation, electronics, agricultural machineries, and a capital goods market was born. However, domestic capital goods could not share in this market growth because the domestic technology is old, so capital goods were mostly imported. In particular, high price machine tools are imported from Germany and low price products are imported from Taiwan due to the technology network, and economic reasons.

In the Vietnam capital, the capital goods produced by local companies are limited and machine tools that cannot be supplied by local companies are imported.

Co-researchers: Yoshimi Ito (Kanagawa Institute of Technology), Shigemi Yahata (Hosei University), Izumi Sakaguchi (Japan Association for Trade with Russia and NIS), Akie Ishida, Akiko Yanai, Kazunobu Hayakawa

40. Decentralization and Development

Organizer: Hiroko Uchimura

Fiscal decentralization has become a major trend in developing countries. This research program focuses on the intergovernmental fiscal relationship between central and local governments and its impact on development. The purpose of this program is not to assess whether decentralization is good for development, but to investigate the essential factors to materialize the intended reforms in decentralized developing countries. This program examined three case studies: the Philippines, Thailand, and Vietnam.

Fiscal decentralization changes the intergovernmental alignment of fiscal authority and responsibility between central and local governments. We clarified the intergovernmental fiscal relationship for each of the three cases by quantitative and qualitative analyses. Common indices used to quantify the fiscal decentralization are the ratio of local fiscal expenditure to total fiscal expenditure and that of local revenue to total revenue. In addition to these common indices, we examined the fiscal autonomy of local government and fiscal discretion of local expenditure.

We found that the local expenditure responsibility as well as the local dependence on fiscal transfer from central government increased in the Philippines. Fiscal autonomy of local government is not strong compared with its expenditure responsibility in the Philippines. The responsibility and authority of central government are still quite substantial in Thailand, although it has been in the process of decentralization since the late 1990s. The ratio of local fiscal revenue to total fiscal revenue has been increasing in Thailand, however, the increase does not mean an increase in local own tax revenue but in fiscal transfer from central

government. In addition to the relationship between central and provincial governments, the relationship below province level was examined for the case of Vietnam. We found that the intergovernmental fiscal relationship between central and provincial governments has been more decentralized, whereas the relationship between province and district has been more delegated in Vietnam.

Co-researchers: Naohiko Jinno (Tokyo University), Fumio Nagai (Osaka City University), Hisaki Kono, Tsuruyo Funatsu, Futaba Ishizuka

41. Engineers as Engines of Industrial Development

Organizer: Yukihiro Sato (Director in Charge, Interdisciplinary Studies Center)

The goal of this project was to illustrate the role of engineers in Asian industrial development. The project had two focuses. The first focus was the educational system that produces engineers. We examined the quantity, type and level of capability of engineers produced by the system has in Asian countries.

Another focus is the industrial sector. An engineer's activity in the industry has two aspects that intimately interact with each other. First an engineer continues her/his learning of professional capability working in the industrial sector. Some engineers become high-class managers and entrepreneurs. Concerning capability building and transformation, what are the learning opportunities for engineers in the system of the industrial sector and how are they motivated to learn?

The second aspect of an engineer's activity in the industrial sector is how they exercise their capability. Does the system of the industrial sector provide opportunities for engineers to effectively develop their capabilities? Does the system appropriately motivate engineers to display their capabilities? We divided the industrial system into two types; the large-corporation-led type and the start-up-led type.

In the first year, we reviewed related studies and sought a position within the academic map and the direction of research. The existing studies we examined are as follows: East Asian Miracle, management of R&D human resources, global network of engineer, Japanese economic and business history, national innovation system, development of Korean semiconductor industry, and management of technology.

Co-Researcher: Makoto Abe (director, Technological

Innovation and Economic Growth Studies Group, Interdisciplinary Studies Center), Moriki Ohara (East Asian Studies Group, Area Studies Center)

42. Formation of Environmental Resource Conservation Policy in Economic Development Process

Organizer: Tadayoshi Terao

In developing countries, the livelihood of many poor people depends on the use of local environmental resources, such as forestry, fisheries and water. To pursue stable economic development with poverty reduction in the long-run, proper resource management is one of the most important policy issues.

This research project focuses on the socio-economic background of government policy to manage environmental resources that serve as the basis of various economic and social activities in developing countries. We analyzed desirable institutional arrangement for resource management in the long-run, using a social science framework. Focusing on resource management, we integrated analyses of economic development policy and environmental policy. During the process of economic development, inadequate and excessive use of an environmental resource often occurs, and negative externalities by such misuse of a resource on other resources sometime cause serious environmental problems, such as degradation of natural resources and industrial pollution. We will analyze environmental resource management policies of present developing countries and the historical background of Japan, and compare the socio-economic background of those policies, and attempt to derive implications for economic development policy, resource management policy, and environmental policy in developing countries.

Co-researchers: Jin Sato (University of Tokyo), Kenji Otsuka

43. Building Basin Governance for Water Pollution Control in China: A Social Experiment in Community Roundtable Meetings in the Tai Lake Basin

Organizer: Kenji Otsuka

Improvement of the water environment is an urgent task necessitated by the rapid economic growth in China. Tai Lake (pronounced "tai-hu" in Chinese), located in the Yangtze Delta region where miraculous economic growth has occurred, is one of the heavily polluted lakes in China,

and although numerous measures for conservation of its water have been implemented for many years, they have not been sufficiently effective. A new initiative to hold community environmental roundtable meetings in Jiangsu Province, thereby incorporating public participation, is considered to be one of the more effective potential measures to complement regulatory enforcement and market-oriented measures in environmental policy. This research project aims to develop a new model of community roundtable meetings for water environment improvement in the Tai Lake Basin.

In Fiscal 2008, we conducted field surveys in China and Japan as well as a joint research project on “Social Experiment in Community Roundtable Meetings in the Tai Lake Basin” with the Center for Environmental Management and Policy in the School of the Environment, Nanjing University (CEMP). In June, CEMP and IDE held a workshop at CEMP in Nanjing to present and discuss comparative environmental policies for watershed management in China and Japan as well as to discuss how to implement community roundtable meetings in the Tai Lake Basin. In December, CEMP assisted the Yixing Economic Development Zone and local Environmental Protection Bureau in organizing its first community roundtable meeting on water pollution issues in one of the rivers running into Tai Lake. After this meeting, IDE invited two members from CEMP to an international workshop at JETRO in Tokyo. In January, the follow-up meeting of the first roundtable meeting was held in the same place. We published an English bulletin report, titled *Building Effective Governance for Water Environment Conservation in China: A Social Experiment in Community Roundtable Meetings in the Tai Lake Basin*, Joint Research Program Series No.153.

Co-researchers: Yayoi Isono (Tokyo Keizai University), Motoyuki Mizuochi (National Institute for Environmental Studies), Kaori Fujita (Momoyama Gakuin (St. Andrew’s) University)

44. Fair Trade and Poverty Reduction

Organizer: Hiroshi Kan Sato

Our main research question is “Under what conditions can fair trade contribute to poverty reduction?” Fair Trade has begun to attract public attention in Japan. Many consumers in developed countries including Japan prefer to buy “cheaper” or “better” products, but fair trade goods available in Japan are not necessarily “cheaper,” and in some cases not necessarily “better” quality. Therefore, our first practical question is “what makes a consumer buy fair

trade products?” Those who are trading fair trade goods in Japan can be divided into two categories. One category is those who have social development experience in developing countries, and the other category is the more business oriented social entrepreneur. The activities of the former category are more poverty reduction oriented but not so profitable, sometimes running into the red. The activities of the latter category are more market oriented but still not so profitable. Our second practical question is “to what extent can fair trade be producer friendly while making minimum profit?” We studied world fair trade trends and compared them with the situation in Japan. We hope to make some policy recommendation to the Japanese government and civil society for “poverty reduction oriented fair trade.”

Co-researchers: Mari Nakamura, Eiichi Yoshida, Sotaro Nishikawa (chief, JETRO Nagoya center), Motoi Suzuki (associate professor, National Museum of Ethnology), Hideki Matsunaga (director, Middle East Division 2, Japan International Cooperation Agency), Misa Kemmiya (officer, Africa Division 4, Japan International Cooperation Agency), Koh Kitazawa (representative, Fair Trade Resource Center), Atsushi Ohno (assistant professor, Kobe International University), Fumiko Ikegaya (researcher, Kaihatsu Management Consulting, Inc.)

45. Stability of New Democracies

Organizer: Takeshi Kawanaka

This research project aims to identify the causes of stability and instability in new democracies. Many new democracies suffer from electoral frauds and power struggles through extra-constitutional means. Moreover, historically, some new democracies collapsed and authoritarian regimes reemerged. Why do some political players not observe democratic institutions? What are the necessary conditions for democratic stability? The project seeks to present a comprehensive theoretical framework for democratic stability based on current theoretical streams in comparative politics, especially, rational choice institutionalism and historical institutionalism. In FY 2008, we surveyed the existing theoretical works in the field, and prepared the foundation for further argument. In the interim report, Kawanaka showed that the argument of “self-enforcing democracy” was gaining in influence, in addition to the old arguments of democracy through values, norms, social classes and institutions. Nakamura pointed out the differences of the consociational approach and the integration approach to the issue of stability in ethnically divided societies. Hazama, on the other hand, discussed the role of judicial review

in democratic stability. He is concerned with the causes of diffusion of judicial review and its function to control the majority's oppression. Finally, Kawamura discussed the issue of pre-commitment function of constitutions and its effects on democracies.

Co-researchers: Koichi Kawamura, Yasushi Hazama, Masashi Nakamura

46. Ethnic Migration in Central Asia and the Caucasus: Socio-political Consequences

Organizer: Natsuko Oka

This research project examined the relationship between a state, its co-ethnics located outside that state, and the state in which they reside, focusing on Central Asia and the Caucasus of the former USSR. The results of our research activities in 2008, the second year of the two-year project, were submitted as a special issue to *Ajia Keizai*. Takayuki Yoshimura examined what role the Armenian diaspora played in territorial conflicts with neighboring Azerbaijan, Armenia's independence in 1991, and its government management in subsequent years. Yoshimura's paper also showed the changes in the influence of co-ethnics abroad in post-Soviet Armenia. Shiro Hanya focused on the 1979 Tselinograd Incident in which Kazakh protests circumvented a top-down plan to provide Germans with an ethnic territory within Kazakhstan. As an important background to this incident, Hanya highlighted the idea of territorial self-determination, a strengthening sense of ownership among members of titular (core) ethnic groups over the territory of "their" Soviet republics in the 1970s. Natsuko Oka wrote two articles: the introduction to the special issue and Kazakhstan's policy to encourage immigration of ethnic Kazakhs from abroad. In the latter paper, Oka explained the historic and political background of such policy, and argued that Kazakh immigrants are now selected according to their quality as workers, because the "return" of oversea Kazakhs had lost its incipient political significance. As a whole, our research shows the following: the primary factor affecting the relationship between a state and its co-ethnics abroad lies in pragmatic agendas in domestic politics of that state; titulars' claim over the territory of "their" republics that had been nurtured by Soviet nationalities policy functions as a pull as well as push factor stimulating ethnic migration after the Soviet disintegration; and finally, the "return" of co-ethnics to their homeland and state's migration policy prioritizing ethnicity are activities not entirely based on ethnic identity—each actor is seeking to maximize its own interests.

Co-researchers: Shiro Hanya (independent scholar), Takayuki Yoshimura (research fellow, Research Institute for Languages and Cultures of Asia and Africa, Tokyo University of Foreign Studies)

47. Parties under Political Change in Developing Countries: Cross-areal Study

Organizer: Akira Sato

This research project is a comparative case-study focusing on political parties in developing countries in different continents. Although a large amount of literature has been published on political parties in developing countries, especially after the so-called "Third Wave of Democratization (Huntington)," there have been few cross-areal comparative studies. This project aims to overcome this absence, aiming to enrich our knowledge and understanding of new democracies in developing areas. As described in the classical works by Durkheim, a political party is, theoretically, an intermediate group situated between state and society. It can be said therefore that the political life in a country is made up of the interplay between these three parties. The purpose of the study is to examine how a political party responds and transforms itself in this interplay. The topics to be investigated are: the strategy for survival of the long-ruling parties; the transformation of opposition parties, caused in their transition to a ruling position; the associational groups (e.g. trade union, resistance movement) in a governing position.

In this research project, case studies are being conducted on Malaysia, Lebanon, Iraq, Andean countries (especially Ecuador and Bolivia), Argentina, South Africa, Kenya, and Côte d'Ivoire. The final report will be published by the end of the FY2009.

Co-researchers: Naoya Izuoka (Keio University); Mitsugi Endo (Tokyo University); Dai Yamao (Kyoto University); Hiroyuki Aoyama (Tokyo University of Foreign Studies); Naokatsu Uetani, Miwa Tsuda, Masashi Nakamura (IDE-JETRO)

48. Comprehensive Study on Taiwan II: Taiwan's Politics after Democratization

Organizer: Masahiro Wakabayashi (Professor, University of Tokyo)

Chen Shui-bian from DPP assumed the presidency in 2000, marking the first democratic change of power in Taiwan. In the presidential election held in March 2008, however, Ma Ying-jeou defeated DPP's candidate and KMT returned

to power. The result can be attributed mainly to Taiwanese people's negative judgment on Chen's eight-year administration. The first goal of our project is to examine this process and demonstrate the role of Chen's administration from the perspective of the island's political history. Our second aim is to examine what Ma's new administration inherited from Chen's administration and what it is now trying to change.

Our analyses illustrate how difficulties arose for Chen's administration. The administration continued to be disadvantaged by holding a minority position in congress. In addition it was unable to break the deadlock due to the constitutional deficiency caused by the unfinished reforms under Lee Teng-hui's administration in the 1990s. At the same time, China's antagonism against Chen and DPP restrained his administration from achievement concerning the relations across the Taiwan Strait. Chen was obliged to convert the position to pro-Taiwan nationalism for the purpose of reelection, which dissatisfied Bush's administration of the United States, which was favorable toward Taiwan when it started in 2000. Moreover the failure of management resulted in losing the opportunity to strengthening power and created more unfavorable conditions while successive disclosure of corruption disappointed the people. KMT and Ma succeeded in revival transforming the strategy and taking advantage of DPP's errors.

Ma's administration has been seeking to differentiate itself from Chen's improving the relation with China. With regard to the interior politics, however, the administration seems to have a similar bias in favor of corporations and the rich to Chen's administration according to our study.

We also need to examine Chen's positive outcome. Coinciding with fierce ethnic politics, which has caused social fractures, multi-cultural politics, which encourages reconciliation among the ethnic groups, has been more solidly established during the eight years under Chen's administration.

Co-researcher: Yoshiyuki Ogasawara (associate professor, Tokyo University of Foreign Studies), Yasuhiro Matsuda (senior fellow, The National Institute for Defense Studies), Mitsutoyo Matsumoto (associate professor, Nagasaki University of Foreign Studies), Yukihiro Sato (director, Technological Innovation and Economic Growth Studies Group, Inter-disciplinary Studies Center), Shoji Wakahata (former lecturer, Shinshu University), Takayuki Takeuchi (East Asian Studies Group, Area Studies Center)

49. The Central-Local Relationship in Thailand: Analysis of the Thai Local Administrative Organi-

zations

Organizer: Tsuruyo Funatsu

The central-local relationship in Thailand has been characterized as "guided-devolution" under the supervision of the central government over local residents and a system to reinforce local autonomy has long been absent. However, during the 1990's, Thailand has established a more decentralized local administration system in accordance with the democratization process. Around 1997, more than 6,000 new local administrative organizations were established in rural areas and the new decentralization laws were enforced in 1999. The central-local relationship went through another massive change since 2003, especially after introducing the direct election system of mayor/ president of local administrative organizations throughout the country. However, the capacity and efficiency of these new local administrative organizations, especially those in rural areas are still in question as their functions and resources allocated from the central authorities are limited.

In this context, we focused on the changing central-local relationship by using the survey data of the Thai local administrative organizations in 2006 conducted jointly with IDE and the Faculty of Political Science, Thammasat University. In our two-year research project, our research team found that the capacity and efficiency of the local administrative organizations in rural areas are dependent on the political and administrative networks between the local administrative organizations and the central administration. We also found that the type of political and administrative network is different among the regions and the newly borne mayors/ presidents of local administrative organizations are much in need of the political and administrative network in conducting their work.

Co-researchers: Fumio Nagai (Osaka City University), Kazuhiro Kagoya (Kanto Gakuin University)

50. ASEAN Consensus-building towards Vietnamese Invasion into Cambodia

Organizer: Sanae Suzuki

The Association of Southeast Asian Nations (ASEAN) member states faced a serious security threat from the Vietnamese invasion into Cambodia in the 1980s. Although member states agreed to make ASEAN policy on this issue, they had conflicting attitudes on how to deal with Vietnam. Thailand and Singapore took hard-line whereas Indonesia and Malaysia did more soft-line towards Vietnam.

The question is how ASEAN members achieved ASEAN

consensus out of these conflicting interests on this issue. Previous studies have argued that ASEAN members agreed to hard-line consensus by supporting the vital interests of Thailand, but they did not explain why soft-line members compromised. These studies also ignored several occasions on which even hard-line member states compromised and agreed to adopt softer ASEAN attitude to Vietnam.

This study focuses on the role of the Chair in ASEAN foreign ministers' meeting in consensus-building towards Vietnam. It is argued that the Chair plays the role of winning concessions from member states to reach consensus. Member state assumes the Chair by rotation. This study assumes that the Chair tries to achieve ASEAN consensus in accordance with its own national interest although its influence on consensus is affected by several factors such as its domestic politics, its relationship with other member states and the external environment.

51. Brand-new Regional Mechanism for International Security

Organizer: Katsuya Mochizuki

The military element and the state had dominated discussions on international security. This old military and state-centered view has been challenged by so-called open regionalism in the post Cold War era. We are now witnessing the Third Wave or another primacy of regional mechanism in the contemporary world. Theoretical perspectives are also widened on the structure of international security. Now the neo-realist is challenged by both the globalist and the regionalist.

We aim to examine such situation from a comparative point of view. Co-researchers are invited in consideration of their interests in the field of security studies. They have abundant research experience in various geographical areas, namely South-east Asia, Central Eurasia, Europe, Latin America, and Africa. These regions are covered in the case studies of this project.

A regionalist approach to security is the starting point of this study. We need to draw a distinction between the global and regional level in our analysis. Thereafter we can apply a theoretical framework such as Barry Buzan's regional security complex theory (RSCT). One of co-researchers has already reviewed this theory in his mid-term report. RSCT is a starting point and a frame of reference for our study. Another co-researcher reported the emergence of a regional security architecture in the Asia-Pacific region. He introduced a general aspect of this concept, although it varies among different studies. Three analytical levels are pointed out, and advocates of these concepts are

also classified in line with conceptual developments. The experiences in this region might be applied to other areas.

Co-researchers: Hiroyuki Urabe (Dokkyo University), Takeshi Yuasa (National Institute of Defense Studies), Jun Tsubouchi (Yamanashi University), Ken Jinbo (Keio University)

<Overseas Joint Studies in Developing Countries>

52. Empirical Studies on the Growth of Firms and the Development of Industry in China- Strategies, Competition and Institutions-

Organizer: Mariko Watanabe

The project focuses on the hog industry in China, as a case study to understand the direction and mechanism of industrial development and growth of firms, explicitly referring to market characteristics and the impact on institutions. The hog industry trades one of the most popular foods in China, and the price hike in 2006 to 2007 led to people's discontent and food safety accidents induced public anger. From a policy perspective, several points are worth investigating. Contract farming is drawing attention as a facility to increase and stabilize farmer's income. A development strategy that engages firms with farmers is mainstream Chinese government's policy. The government also requires the banking sector to increase lending towards agro industry.

The project analyzed the effect of contract farming, government policy from the perspective of firms, instead of farmers, which is currently the more popular approach. By observing how firms set prices, differentiate products and compete in the market, then the transaction conditions for farmers, we examined possible mechanisms for increasing the income of farmers. Based on the results, the possibility of promote contract farming, and the loan strategy of financial institutions were studied.

The main findings are as follows: in the pork market, there is poor product differentiation, thus firms face price competition. Under this condition, firms need to suppress the procurement price, thus the interests of firms and farmers are zero sum. By nature, contract farming is superior for preserving food safety and quality and for solving the incentive problem of farmers. However, firms in the hog industry in China failed in product differentiation, which generated price competition, and in an extreme case, quality was neglected.

Co-researchers: Wang Jimin (Chinese Academy of Agricultural Science), Miyata Sachiko (World Bank), Shi Huaqiang (Chinese Banking Regulatory Committee)

53. Japan-China Economic Cooperation

Organizer: Toyojiro Maruya

China has achieved remarkable economic growth since the beginning of 2000s. Its GDP exceeded 3 trillion dollars and trade marked the second largest in the world in 2007. Together with such rapid growth, the mutual economic relationship between Japan and China has been strengthened and deepened in every field such as trade, direct investment and human relations. China's sound development is essential for Japan to attain sustainable growth, whose domestic demands are expected to decrease in the future due to a declining birthrate and aging population. At the same time, also for China, which is tackling economic restructuring, Japanese advanced technologies in the environmental, energy and production fields, are very attractive. Institutional support is expected to promote the further progress of economic relations, which have already developed on a *de facto* basis, for long-term co-existence and mutual benefits. In this context, JETRO has conducted research activities concerning business environments toward Japan-China FTA since 2005.

The research topics in 2008 included the present situation and future direction of the Chinese economy, which was in the process of restructuring economic growth and responding to the so-called "three high prices" (appreciation of the Yuan, high labor costs and expensive material/energy prices). We focused on the trends of regional economies, the developments of important industries and the problems of the investment environment. In detail, we pictured the present situations and new developments in terms of economic restructuring for three major industrial clusters: the Bohai Sea Rim, East China and South China, which achieved remarkable economic growth by utilizing foreign direct investment and promoting exports in the past. And we analyzed Chinese R&D activities and level of technologies concerning moulds and dies, which reflected the competitiveness of Chinese enterprises. We also studied Chinese competitiveness of light-industries such as textiles, leather and footwear, which were labor intensive and therefore undergoing a severe situation with the current rising costs, and products that were sensitive items for Japanese competitors. Moreover we paid attention to the major investment problems such as legal affairs concerning competition, labor as well as intellectual property rights, which foreign companies including Japanese were facing,

and examined expected influences on Japanese affiliates in China and possible solutions to them.

Co-researchers: Atsushi Sunami (National Graduate Institute for Policy Studies), Yoshio Kishimoto (Kanagata Keiei Kenkyujo), Koichi Ishikawa (Asia University), Toru Ishioka (ITOCHU Corporation), Xingmin Yin (Fudan University), Yoshinori Taniguchi (Fullerene L.P.C.), Institute of Industrial Economics of Chinese Academy of Social Sciences, Hiromichi Ozeki, Noriyoshi Ehara, Mariko Watanabe, Ke Ding, Yasuo Onishi, Takahiro Miyahara, Yuansen Liu, Nana Izumi

54. Japan-China-Korea trilateral joint research for FTA

Organizer: Jyunko Mizuno

Leaders of the three countries agreed to pursue joint economic cooperation in November 1999, at a three-way summit held on the occasion of the ASEAN +3 Summit in Manila. Under the plan, representative institutes from the three countries, the Institute of Developing Economies (IDE-JETRO) for Japan, the Development Research Center of the State council (DRC) for China, and the Korea Institute for International Economic Policy (KIEP) for Korea, would collectively study ways for strengthening trade and investment ties among the three countries. The theme of this year's research was: "Road to Economic Recovery and Trade Facilitation."

On September 2nd, the IDE - JETRO, together with the DRC and the KIEP, held a symposium in Tokyo examining the progress of joint sector research into a trilateral Japan-China- Korea FTA.

At the symposium, the first session clarified the impact of trade contraction originating in the US on three countries' trade, and sought ways to overcome the situation. The second session examined trade facilitation discussions at the WTO, APEC and AFTA, and analyzed their economic effects. The symposium also discussed trade facilitation provisions in FTAs that Japan, China and Korea already have with other countries/regions, with the idea that a trilateral FTA is essential for further economic development of the three economies.

The outcome of the symposium was presented at the meetings of October 2009 Japan-China-Korea trilateral summit.

Co-researchers: Kazutomo Abe (Tokyo Denki University), Koichi Ishikawa (Asia University; Visiting Researcher, JETRO), Hiromichi Ozeki, Akiko Yanai, Toshitaka Gokan

<Commissioned Projects>

55. Impact Assessment for “Irrigation Project in Parsak, Thailand” Phase I

Organizer: Seiro Ito

This study’s objective is to quantitatively measure the impacts of the Parsak Irrigation scheme financed by JICA (formerly JBIC) of the Japanese Government. According to TOR, we have completed: a study of agricultural households and project logistics, selection of impact evaluation methodology, selection of sampling frame, development of questionnaire, training of interviewers, and the wet season agricultural households survey.

Co-researchers: Kazushi Takahashi, Kazunari Tsukada

<Projects funded by Grants-in Aid for Scientific Research>

56. Analysis of Poverty Reduction Strategies with Field Experiments

Organizer: Seiro Ito

This study’s objectives are to (1) measure the impacts of microcredit, and (2) analyze the optimal design of microinsurance under asymmetric information. Both components of the study employ randomized controlled trials (RCTs) to obtain consistent estimates of impacts. The former component seeks to randomize the lending terms, while the latter component uses RCTs to separately assess the effects of ex ante and ex post moral hazard, and static and dynamic adverse selection. We incorporated theories of behavioral economics to interpret the estimated results. This year, we studied the background information of microfinance institutions in Southern India, and conducted a household survey to collect risk perceptions and risk profiles.

Co-researchers: Hisaki Kono

57. Assembler-Supplier Relationship and the Growth of Local Suppliers in the Vietnamese Motorcycle Industry

Organizer: Mai Fujita

Japanese motorcycle firms have long lead the motorcycle industry at the global level. However, this leadership has recently been challenged by the rise of local firms from

emerging countries in Asia. Chinese motorcycle firms, in particular, have boosted competitiveness in the mass production of models that imitate Japanese brand models at low cost by engaging in short-term transactions with suppliers and letting suppliers compete intensely with each other. This strategy contrasts sharply with that of Japanese firms, which have focused on producing original high-quality products through long-term relationships and intense communication with suppliers.

As Japanese and Chinese firms advanced overseas, they began to compete intensely with each other in third-country markets. Vietnam, in particular, is widely known for the “China shock” in the early 2000s, when a massive number of low-priced imitation motorcycles were imported from Vietnam and swept over the market that had previously been dominated by Japanese-brand models. Whereas the low-priced motorcycles were initially imported from China as knocked-down component kits, they gradually came to be produced in Vietnam, mainly by Vietnamese and Chinese firms. The ensuing dynamic development of the industry has been driven mainly by the intense competition between firms of different nationalities.

How are the Japanese and Chinese models of the assembler-supplier relationship practiced in the host country environment? How does the nature of the assembler-supplier relationship change over time as the assemblers compete and interact with each other in the market? And how do the local components suppliers of the host country exploit the new business opportunities for their growth and buildup of firm-level capabilities? This research attempts to explore these questions by analyzing the transformation of the assembler-supplier relationship and the process and mechanism of local suppliers’ capability building in the Vietnamese motorcycle industry.

The first year of the research focused on the field research on local component suppliers, which shed light on the similarities as well as the differences in the capability building trajectories of suppliers of the Japanese motorcycle firms and suppliers of local assemblers. The task for the second year onwards is to analyze the mechanism of local suppliers’ capability building and the factors that explain the similarities and differences in the capability building features.

58. The Basic Studies on Chinese Businessmen in Myanmar

Organizer: Yoshihiro Nakanishi

Since 1988, Chinese businessmen have been key players in the Myanmar economy. But there have been few studies

in this area because the difficult research environment has prevented intensive researches in Myanmar. What are the profiles of these businessmen? How do they accumulate capital? What relationship do they have with political leaders? How do they connect to Chinese businessmen in other countries? This research project tries to give some answers to these questions and examines the impact of Chinese economic influence on Myanmar.

In 2008, I did three kinds of field surveys in Myanmar. First, I attended the ceremony of the 100 years anniversary of the Myanmar Chinese Chamber of Commerce (MCCC). About 400 Chinese businessmen and important persons from Myanmar, China and other Asian countries attended this event. I had the opportunity to discuss some business matters with them during the ceremony. Second, I conducted field research in Mitkyina, which is a town near the border area between Myanmar and China. Although it was conducted during the economic crisis last December, I found various legal and illegal economic interactions between both countries. And third, the Chinese library in Yangon allowed me to read historical documents on Chinese Myanmar. I performed preliminary research in the library and found some new documents.

59. The Impact of Changing Patterns of Remittances on Pakistan's Economy: Development after the 9.11 Attacks on the United States

Organizer: Hisaya Oda

The 9-11 terrorist attack on the United States led to various changes in overseas migration from Pakistan. One such change is the sharp increase in remittances sent from the United States. This study reveals that the characteristics of remittances from the United States differ from those originating in the Middle East. Just as overseas Pakistani communities are diverse, the nature and characteristics of remittances are heterogeneous, depending on where they come from and who sends them. While the importance of remittance flows from the United States is rising, little academic attention has been paid to this issue because of the lack of data. Household surveys are necessary to better understand the reasons behind the increase in the United States remittances, and in order to evaluate their sustainability.

For the first year of the three-year project, data related to remittances were obtained, the location of household surveys for the next year was selected, and the relation between the economic growth of Pakistan and remittances were analyzed. The study found that factors that help to explain the increasing trend of remittances from the United

States are (1) the crackdown on informal mechanisms of money transfer, (2) the shift of wealth from America to Pakistan, and (3) rapid economic growth under the Musharraf regime.

Some of the findings were reported at the 20th IAHA Conference held in New Delhi, November 2008, and were published in the form of IDE Discussion Paper, titled *Pakistani Migration to the US: An Economic Perspective*.

60. Building the Expertise on China and the Chinese in Indonesia

Organizer: Nobuhiro Aizawa

Within this decade, the presence of China has risen dramatically in Southeast Asian countries. Among the Southeast Asian countries, Indonesia has the largest overseas Chinese population. Therefore, the impact of China had a great impact not only on the diplomatic relations between the two countries but also affected policies regarding Chinese Indonesians. Regulations implemented in the Cold War era that limited the cultural activities of the Chinese in the late 1960s to the 90s were abolished and Chinese New Year has been given national holiday status in Indonesia. So far, the current political transition has been favorable for the Chinese in Indonesia.

Historically, however, issues related to Chinese Indonesians have led to political instability in Indonesia. Therefore, each government following the former president Suharto has been careful in dealing with issues related to Chinese Indonesians while strengthening the ties with China through diplomacy.

This research focuses on how each of the Presidents Habibie, Abdurrahman Wahid, Megawati Soekarnoputri, Susilo Bambang Yudhoyono prepared, tried and implemented their policy on China and the Chinese Indonesians. In order to understand this question, studies on the crucial expertise within the policy making process will be examined as well.

The research outcome of this year was presented in the International Workshop "Chinese Identities and Inter-Ethnic Coexistence and Cooperation in Southeast Asia" held in Kyoto University, July 2008 titled 'Delivering Citizenship: *DEPDAGRI* and the Chinese in the 1980s'. The paper is due to be revised and published in the following year.

61. Field Experiments on Microcredit: Loan Maturity and Group Lending

Organizer: Hisaki Kono

Some studies have shown that participation in microcredit

increases the amount of debt owed to money lenders contrary to the objective of “freeing poor people from loan shark debt.” This research project focuses on the short duration of microcredit loans as a background mechanism. The duration of most microcredit schemes is no more than 1 year and borrowers have to pay weekly installments. A shorter duration means a larger weekly installment burden. If poor people invest in medium or long-term investments (such as buffalo, cows, and goats) whose payback period is long, it may be rational for them to borrow both from microcredit and money lenders since the latter allow borrowers to repay the only interest in the first year although their interest rates are high because it will help them to smooth consumption over time. In the first year, I constructed an economic model to explain the relationship between loan duration, dependency rates on money lenders, and low income. This theory will be tested by a field experiment, although its implementation is behind schedule due to the economic crisis and the resulting contraction of financial resources of the candidate research partner microcredit institution.

In addition, this research project analyzes the advantages and disadvantages of group lending relative to individual lending, which are two major lending schemes of microcredit. I constructed a repeated game model of group lending and individual lending in order to grasp community enforcement. The predictions of the theoretical model will be tested by a lab-type field experiment in the next fiscal year.

62. Qualitative Study on the Social Mobility of Rural-Urban Migrants in Modern China

Organizer: Mami Yamaguchi

This project focuses on personal changes social position. China is in the process of urbanization and industrialization, the rural sector is decreasing in size and number of job opportunities. Therefore, we focused on migrants from the Chinese rural sector. Deregulation of the Chinese labor market created the opportunity for rural-urban migrants (Nonmingong). How do these new job opportunities affect personal social positions? To investigate this question, we set up the study framework, and conducted pre-test research.

The organizer conducted several field trips to China, and defined the occupational stratum of the whole of China's labor market. We also started a field survey of rural migrants' transition from their schools to place of work. The field survey was conducted in two cities from an industrialized coastal area and some vocational schools and firms

from an inner rural area.

The main findings are as follows; firstly, vocational schools in inner rural areas now serve as an important channel for the young generation who are born in rural China to migrate to urban areas. But at the same time, they are vulnerable to disruption caused by market disorder. Their places of work shifted dramatically during the financial crisis in 2008. Secondly, the firm survey revealed that some rural migrants realize relatively stable upward mobility.

63. The Post-Colonial Patrimonial State and Conflict in Africa

Organizer: Shinichi Takeuchi

With assistance of the Grant-in-Aid for Scientific Research of Japan Society for Promotion of Science, an IDE staff published the following book in February 2009.

Author: Shinichi Takeuchi

Title: *The Post-Colonial Patrimonial State and Conflict in Africa: Understanding the Genocide in Rwanda.*

Publisher: Akashi Shoten

This book explains the mechanism of frequent outbreak of conflicts in Africa after the Cold War, and applies this mechanism in analyzing the history of the Rwandan genocide in 1994.

64. A Study of Waste Electrical and Electronic Equipment (WEEE) Management in Asia

Organizer: Michikazu Kojima

This joint research project is being carried out by Sungwoo, Chung (JSPS (Japan Society for the Promotion of Science) research fellow) and Kojima Michikazu (Expert on the 3R (Reduce, Reuse, Recycle) policy in Asia) from October of 2008 to September of 2010.

Secondhand and waste electrical and electronic equipment (WEEE) discharged from households is being recycled or internationally reused in Asia. This brings not only the merit of promoting efficient use of resources, but also the demerit of increasing the possible environmental pollution caused by an improper recycling process in the importing countries.

Regarding the circulation of WEEE on the Asia level, “The Basel Convention” which is targeted at restricting the trans-boundary movement of hazardous wastes fulfills a limited role due to the unclear handling of secondary goods and complicated procedures in connection with import and export.

Furthermore, the problems caused by international reuse or recycling of secondhand and waste electrical and electronic equipment are not fully addressed because the implemented domestic regulations are mainly focused on domestic waste issues such as the shortage of landfill sites.

This study aims to make policy proposals for appropriate WEEE management from the perspective of EPR (Extended Producer Responsibility), which emphasizes the manufacturers' role in WEEE management.

For this purpose, firstly, a comparative study of the countries/areas that have implemented EPR-based policies such as Japan, Korea and Taiwan is conducted. After that, the applicability of EPR is comprehensively examined considering the actual situations on WEEE management in the countries in which EPR policy has not been adopted and the trans-boundary movement of WEEE in the Asia.

JSPS Fellow: Sungwoo Chung (JSPS research fellow)

65. Recycling in Asia and Policies for Managing International Trade of Recyclable Resources and Promoting 3R

Organizer: Michikazu Kojima

This research is funded by grant in aid for scientific research on waste management, provided by the Ministry of Environment, Japan. The purpose of this research is to make policy proposals on the management regime of recyclable resources in Asia and the legal system for domestic recycling, taking into account international trade of recyclable resources, based on a study on the present condition of the recycling systems and industries.

To collect basic information on recycling systems, we are conducting field surveys, interview with government officials, business man and researchers.

Regarding recycling of electric and electrical waste, the relationship between legal EPR system and export are reviewed. The implication of BAN amendment in Asia is studied from legal and economic view point. To understand the system of transboundary movements of recyclable resources, we are studying regulations on the import and export of hazardous waste and recyclables in China, Vietnam and Taiwan. The reasons for the global migration of the ship-breaking industry were also studied. The structure of the steel industry was analyzed, to understand the demand and supply of steel scrap in Asian countries.

Co-researchers: Jun Tsuruta (Japan Coast Guard Academy), Rie Murakami-Suzuki (National Institute for Environmental Studies), Aya Yoshida (National Institute for En-

vironmental Studies) So Sasaki (Mitsubishi UFJ research and Consulting Co., Ltd.), Chung Sung Woo (Hokkaido University) Tadayoshi Terao, Shozo Sakata, Hajime Sato, Etsuyo Michida