
I . Goals, Research Mission and Policy of the Institute of Developing Economies (IDE)

The Institute of Developing Economies (IDE) hereby establishes the following policies for its research activities for FY 2009 with the aim of promoting understanding by domestic and overseas audiences of IDE's research activities and to facilitate their effective implementation.

Emphasizing "research for sustainable growth in developing countries," IDE will make policy recommendations aimed at expanding trade and promoting economic cooperation in the Asian region and provide analysis, supported by both fundamental and comprehensive research, to underpin policy recommendations.

As outlined in the Second Medium Term Program, in FY 2009, IDE will prioritize resource allocation to research on "China," "India," "Regional Integration in East Asia" and "Poverty Reduction and Development Strategies" and will broadly address the informational needs of various levels of government, industry and academia.

1 . Our Goal: Making Intellectual Contributions to the World

IDE aims to make intellectual contributions to the world as a leading center of social science research on developing economies. We accumulate locally-sourced knowledge on a variety of social issues, clarify the current state of affairs, identify issues and challenges faced by developing economies, and promote a better understanding of these issues among domestic and overseas audiences. It is our hope that these activities will enhance international understanding of Japan and provide an intellectual foundation to facilitate cooperation between Japan and the international community to address development issues.

2. Our Research Mission: Promoting/Facilitating Sustainable Development in Developing Countries

Our research mission focuses on finding ways to achieve sustainable growth in developing countries and regions. Achieving such sustainable development in these regions requires careful consideration of the balance between sustained economic growth and political and social stability. IDE aims to fully consider both of these development aspects in its research activities.

1. Research Contributing to Sustained Economic Growth

This area of IDE research is aimed at improving the overall state of public welfare in the world's developing nations and regions. Underlying this goal is the desire for these economies to avoid over-dependence on aid and material support and to achieve well-balanced economic growth with long-term sustainability. Today, countries are required to achieve economic growth while also improving the living standards of the world's poorest populations and preserving the global environment. Such issues, which are identified in the United Nations' Millennium Development Goals, are a matter of pressing concern for the global community. IDE is engaged in the study of a broad range of issues faced by developing economies, from economic activity and legal systems to human resources, poverty, and the environment. All of these areas need to be considered when seeking paths of sustained economic growth that will help eliminate poverty and preserve the earth's natural environment.

2. Research Contributing to Political and Social Stability

In the above context, political and social stability means not only an absence of violent conflict, but also encompasses a guarantee of safety at various levels between states, within states and regions, and among individuals. This means being able to establish and maintain conditions in which human rights are free and unfettered. In order to establish such conditions in developing countries and regions, it is necessary to remove the various causes of instability through a range of measures.

Foremost among these are the elimination of armed conflict and promotion of the transition to democratic forms of government and society. With this goal in mind, IDE aims to play a central role in research on national governance, social structures, conflict issues, and peace-building in developing economies.

3. Current Conditions Surrounding Developing Countries

In light of our mission and two related policy areas, IDE's analysis of the current state of affairs in developing regions is as follows.

Sustained Economic Growth

The global economy is undergoing its most tumultuous period in recent years. Although many countries have continued relatively steady economic growth since the beginning of this century, the sharp increase in oil, metal, and grain prices against the background of the global expansion of investment funds was having a severe impact on businesses and considerably affecting the lives of citizens. In the fall of 2008, the situation made a sharp turn for the worse. The collapse of the housing bubble and the ensuing confusion in the financial market in the United States has driven the entire world into the worst economic recession since the Great Depression.

This dramatic downturn in the global economy has had a severe negative impact on developing countries and regions. Sudden shrinkage in both foreign demand and the flow of incoming capital, engines of economic growth, has severely damaged many developing economies that had depended on exports to advanced countries and inward investments from abroad to maintain economic growth. A large number of countries suffered sharp devaluation of their currencies, resulting in some countries having serious difficulty in repaying foreign debts.

Under these circumstances, greater effort than ever before is required to resume the process of sustainable economic growth and to achieve further development. It is necessary to deal appropriately with the uncertainty in the global economy, rebuild a stable global economic framework, and continue to address environmental and other long-term challenges. The significance of efforts to reduce poverty in African countries and other regions that are in danger of being left behind in terms of economic growth is becoming increasingly apparent.

Political and Social Stability

The worst case scenario of political and social instability in developing countries is the collapse of government precipitated by racial conflict and civil war. In countries such as Afghanistan, Iraq, Sudan and Somalia, where there exists a real threat of such a collapse, large-scale interventions by the international community often fail. Countries with fragile national institutions and racial or religious divides may find themselves facing severe political and social instability, if not all out civil war. The establishment of democracy is an important factor in achieving political and social stability. Countries such as Myanmar and the DPRK, which reject democracy and commit serious human rights violations, inevitably become isolated from the international community and face great challenges to economic development. It is also likely that these countries become increasingly politically unstable as a result of elections, when they are in the process of transitioning to more democratic forms of government.

With the increasing globalization in recent years, political instability is often spread internationally. The spread of terrorism stemming from religious antagonisms and racial conflicts in the Middle East and South Asia is one example of such international expansion of instability. Even in East Asia and Latin America, which have been considered relatively stable regions, the global economic recession may possibly lead to intensified movement of labor, growth of extremist groups, and other factors related to social instability.

Achievement of political and social stability in developing countries requires, depending on the particular case, a strengthening of national systems and/or establishment of democratic practices therein. However, in some countries, these two goals may be contradictory. Policy measures that are tailored to the particular situation need to be implemented to overcome such difficulties.

4. Research Policy for FY 2009

Based on IDE's goals, research mission, and the above analysis of the current global state of affairs, IDE's research policy for FY 2009 is set forth as follows:

Priority Research Projects will focus on four areas: (1) Comprehensive Study of China, (2) Comprehensive Study of India, (3) Multilateral Study of Regional Integration in East Asia, and (4) Poverty Reduction in Developing Economies. Fundamental Research Projects will focus on four priority areas: (1) Growth of Business Enterprise and Industrial Development, (2) Foreign Trade and Capital Movement, (3) Development and Governance and (4) Food and Environment. Regular Research Projects with longer-term perspectives will be continued as before.

1. Priority Research Projects

Priority Research Projects with a particular research focus have been conducted during IDE's current mid-term planning period (from FY 2007 to FY 2010). In consideration of the current state of affairs in developing countries and regions, the following four issues will be investigated through Priority Research Projects:

(1) Comprehensive Study of China

While China's presence in the Asian and world economies continues to grow, its rapid economic development has led to the emergence of a variety of domestic issues. IDE will analyze some of these issues and assess their intrinsic risks in the context of predictions for mid and long-term economic development and political change in China.

(2) Comprehensive Study of India

While India has attained stable economic growth, disparities among its regions have widened and poverty has become more acute in the least developed areas. Widening regional disparities and rapid changes brought about by globalization have led to political and social problems. In this FY 2009, IDE research will focus on comprehensive and systematic analysis of India's economic growth and democratic system. A comparative study of India and China will also be conducted.

(3) Regional Integration in East Asia

In East Asia, both *de facto* and *de jure* economic integration has been progressing rapidly, with countries concluding an increasing number of free trade agreements (FTAs) and economic partnership agreements (EPAs). This growing integration has brought about increased liberalization of trade and investment and is expected to further accelerate economic growth of the Asian region as a whole. This growth also has the potential to widen disparities among countries, regions within a country, and even between local and foreign firms. Focusing on aspects such as changes in regional industrial and trade structures, development of supply chains and the formation of industrial clusters, IDE will analyze a broad range of issues associated with regional integration from a variety of perspectives.

(4) Poverty Reduction and Development Strategy

Reduction of poverty in developing countries over the long-term will require the development of new institutional frameworks that are closely linked with policies aimed at poverty reduction. With this in mind, IDE will focus on analyses of the socially vulnerable populations, such as the handicapped or elderly, who have often been left out of the discussion on poverty reduction.

2. Regular Research Projects

Longer-term investigations by IDE, including the fundamental analysis of political and economic movements in Asian countries, the preparation and utilization of the International Input-Output Tables and the maintenance of a trade statistics database, will be continued.

3. Priority Themes of Fundamental Research Projects

In FY 2009, Fundamental Research Projects will focus on the following four priority themes:

(1)Growth of Business Enterprise and Industrial Development

Along with increasing globalization, the position occupied by East Asian enterprises, BRICs and other emerging industrial nations in the international network of division of labor has steadily advanced. In these countries, it is commonly observed that formation of industrial clusters tends to lead to further improvement of their competitiveness. In contrast, in Middle Eastern and African countries, various factors including undeveloped market systems and administrative failures by governments have often restrained the growth of local enterprises and formation of industrial clusters. These factors have also have also hindered the development of a self-sustaining dynamism that lead economic growth. Research under this theme will endeavor to identify and analyze various factors influencing the growth of local enterprises and industrial development in developing countries in the context of a rapidly changing global economic environment marked by globalization as well as the economic fluctuations resulting from increased global interrelatedness.

(2)Foreign Trade and Movement of Capital

Developing countries seeking economic growth have so far proactively sought direct investment by advanced countries and incorporated themselves into the global production and trade networks of multinational enterprises. They have also showed a desire to strengthen financial trade with advanced economies, riding the wave of financial globalization. Developing countries, however, have been unable to escape the severe negative impacts on their trade and finance brought on by the recent global financial crisis. Research under this theme will examine and analyze trends and challenges in foreign trade and movement of capital in developing countries in the context of recent global economic events.

(3)Development and Governance

In the context of development theory, “governance” encompasses a nation’s comprehensive governing capabilities, including such aspects as degree of democracy, proficiency in administrative functions, and control over corruption. It has been demonstrated in past studies that while good governance promotes economic growth, economic growth does not necessarily improve governance. Research under this theme will examine the interaction of governance and development, investigating (i) the economic impact of various governing entities and policy measures and (ii) political and social conditions that improve quality of governance.

(4)Food and Environment

Sharp fluctuations in food prices in recent years have had a large impact on developing countries where various aspects of agriculture continue to play a significant role in the economy. As problems associated with global warming become more urgent, interest in the environment in developing countries forced to address such problems is growing. The issues of food and environment have thus become a focus of attention, but their impact varies from regions and between industries. Research under this theme will analyze the combined impacts of these problems across the borders of developing countries.

In addition to the above, a range of fundamental studies will be conducted focused on the following problems confronting developing areas.

4. Spot Research Projects and Collaborative Research Projects

IDE will conduct research and studies in a flexible and agile manner in order to be able to address issues of high national interest as well as urgent and emerging issues. The findings of such studies will be promptly and adequately disseminated using a variety of means. At the request of JETRO Headquarters, universities, as well as outside research institutes and local governments, IDE conduct collaborative research that capitalize on the knowledge and expertise of the collaborating parties. Themes for such joint research will be set as necessary.