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## II. Review of Research Projects

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### <Priority Projects>

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

**Organizer:** Sasaki Norihiro

Economic policy affects the distribution of interest among various economic stakeholders. As China transitions to a market economy, the quest for fairness and transparency in economic policy-making process has increasingly come to fore. This research project combined political and economic analyses, which have traditionally tended to be conducted separately. The study investigated the dynamics of China's policy-making process and China's current economic growth, primarily through the use of case studies focusing on specific issues. In so doing, it highlighted the complex interdependence between economic activities and policy-making. The project focused on a variety of specific issues, including the personnel policy of the Party and the government, especially as they related to the economy, the re-organization of economy-related governmental institutions; macro-economic policy; investment and credit control policy; corporate and industrial policy; rural policy; and local-level economic policy.

The results of this study are due to be published as a book (in Japanese).

**Co-researchers:** Oshima Kazutsugu (Qingdao Agricultural University), Tang Cheng (Momoyama Gakuin University), Tang Liang (Waseda University), Horiguchi Tadashi (Miyazaki Municipal University), Ding ke,

#### 2. Comparative Study on Industrial Development Process in China and India

**Organizer:** Akihide Ikegami

By comparing the growth process of representative indigenous firms and industrial clusters in China and India, we explored the characteristics of the industrial development process in the two countries and the socio-economic factors underpinning the different development trajectories. Each of the researchers involved in the project conducted comparative studies of China and India, focusing on a particular industry. In the final analysis, Ohara summarized the basic characteristic of the competitive environment and

growth process of manufacturing firms in the two countries, describing China's economy as competitive/scattered/labor-intensive/size-maximizing and India's economy as oligopolistic/integrated/capital-intensive/profit-maximizing. Ohara further stressed the rapid catching-up of numerous subordinate firms to superior firms in China as a contrast to the case among Indian firms, which Kimura also confirmed in the electronics industry. As for capacity development, Marukawa, examining acquisition of new technology in the automobile industry, confirmed the tendency by Chinese firms to outsourced technology development in contrast to India's tendency to develop new technologies in-house. Ohara pointed out the same tendency in inter-firm relations and in-house human resource building in the motorcycle industry. Okada explored differences in method of skill acquisition in Toyota's Chinese and Indian operations. Asuyama identified gaps in skill distribution in the labor market resulting from different educational systems (China's homogeneous education vs. India's heterogeneous education), which was confirmed by Vijayabaskar through case studies of textile clusters. Kong explored differences in Chinese and Indian systems for promoting technological innovation. Comparing the different roles of state in economic development, Dallas explored differences in mechanisms and approaches to avoiding friction during the process of upgrading the industrial structure and Kajitani described differences in fiscal systems of local governments and methods used to promote local industry. Hinata and Lockstrom investigated the software and electric vehicle industries, respectively. Investigating the influence of global production networks, Parthasarathy examined the role of technological standards in determining local technological skill level.

**Co-researchers:** Koichiro Kimura, Hiromi Hinata, Yoko Asuyama, Yoshie Shimane, Tomoo Marukawa (University of Tokyo), Aya Okada (Nagoya University), Kai Kajitani (Kobe Gakuin University), Balaji Parthasarathy (International Institute of Information Technology, Bangalore), M.Vijayabaskar (Madras Institute of Development Studies), Martin Lockstrom (China-Europe International Business School), He Jun (Institute of Industrial Economics, Chinese Academy of Social Science), Mark Dallas (University of California, Berkeley)

### 3. An Approach to Inclusive Growth: India's Challenge

**Organizer:** Shigemochi Hirashima

The Indian economy has grown rapidly in recent years. While the size of the economy has expanded, the gains from economic growth have not been distributed evenly among regions, groups, households, and individuals. In the shadow of high economic growth lurks a widening gap between rich and poor segments of Indian society. This is seen by the Indian government as an alarming development that could lead to social unrest and political instability, which would further constrain economic development. The goals of this research, which addresses the issue of widening economic disparity in India, are to 1) analyze economic and social problems associated with inequality in the Indian context, 2) identify the determinants of inequality, 3) discuss what is necessary for India to bring about equitable distribution of economic benefit to all segments of the population while keeping up the pace of economic growth, i.e. elaborate on the concept of "Inclusive Growth" proposed by the Indian government, and 4) to offer concrete policy recommendations.

The final report consists of the following chapters: Part I empirically examined growth, poverty and regional disparity in terms of infrastructure (Chapter 1), land holdings (Chapter 2) and finance (Chapter 3). Part II investigated disparity in access to social services, namely health (Chapter 4) and education (Chapter 5). Chapter III focused on weaker and vulnerable populations, particularly Muslims (Chapter 6) and homeworkers (Chapter 7) in the context of inclusive growth. Chapter IV analyzed the socio-economic backwardness of Bihar state, one of the least-developed states in India from both political and economic standpoints (Chapter 8) and from a long-term perspective (Chapter 9). Based on results of this research, we argue that, even while the market it expected to drive economic growth, the importance of government initiatives in ensuring equitable distribution of benefits from such growth cannot be over-emphasized.

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

### 4. India's Contemporary International Relations: The Way to a Major Power

**Organizer:** Norio Kondo

With India's rapid economic growth, status as a nuclear

power, and the progress of the civil nuclear cooperation with the United States, etc., India's standing in international politics is on the rise. The goal of this study was to identify factors that help to explain India's increasing presence in the international arena and to analyze India's impact on international politics.

This year, our main focus was to better understand international political issues relevant to India. Over the course of the study, we identified the following points. First, in the 1990s after the end of the Cold War, India's foreign relations could, in a sense, be characterized as omnidirectional diplomacy. Although India's most important partner at present is the U.S., India's relations with East Asian countries, such as China and Japan, are becoming increasingly important. With regard to India's relationship with Japan, the historical fact that negotiations concerning compensation and exchange of wartime assets post World War II were successfully concluded has contributed to the establishment of a friendly relationship. Although India's relations with major powers serves, in a sense, as the larger framework for Indian diplomacy, India's relations with neighboring countries, especially Pakistan are a vital content of Indian politics because they constitute an important part of India's internal politics. For example, the tension between India and Pakistan following the terrorist attack in Mumbai in 2008 was not easily relieved due to widespread anti-Pakistani sentiment among the Indian public roused by suspicions that the terrorist organization responsible was based in Pakistan. With India's role in international arena increasing, India will need to have wider perspective on international politics. India's may reexamine its relations with African nations, with whom India currently has economic and energy ties. The role of expatriate Indian communities, especially those in the U.S., may also need to be reconsidered in the complex arena of international politics. Finally, if India insists on being granted status as a major power, it will be asked to take on greater international responsibility, in the form, for example, of increased participation in United Nations' Peace-Keeping Operations.

**Co-researchers:** Takenori Horimoto (Shobi University), Hiroshi Sato (Researcher), Marie Izuyama (The National Institute for Defense Studies), Toru Ito (National Defense Academy of Japan), Masaaki Nakatsu (Senshu University)

### 5. Life Security System of Elderly People in the Emerging Countries

**Organizer:** Koichi Usami

Emerging countries in Asia and Latin America are facing

increasingly aging societies. Discussion regarding this demographic trend as well as development of corresponding policy can be widely observed in these regions. An accelerated shift towards an aging demographic is particularly notable in East Asian countries, including China, while the shift towards an aging society in Latin American countries appears to be slow but steady. In India, while the proportion of elderly people is low, the absolute number of elderly in India is huge due to India's large population. Accelerated aging of society is widely known in Cuba. From these examples we can see that the rate at which each society is aging and the policy measures to deal with this demographic shift differ by country.

Aging is analyzed using a variety of methodologies from the fields of political science, sociology, economics and especially medical science. Under these circumstances, social gerontology has emerged as a multi-disciplinary field to study the aging of society and aging itself. Recently, interest in critical social gerontology, which criticizes social gerontology for ignoring the social aspects of aging, is surging. In this research, we first introduce various critical social gerontology theories to our Japanese audience. Second, we share the idea of critical social gerontology which focuses on social aspects of aging. Third, each researcher constructs an analytical framework inspired by critical social gerontology to analyze each the state of affairs with respect to aging in each country. Using these analytical frameworks, we were able to analyze social policies targeting elderly populations (aging policies), examine the relation between aging policies and neoliberalism, and explore the complex relation between aging policies and familism or family norms.

The research team investigated the following countries: South Korea, Taiwan, China, Hong Kong, India, Cuba, Mexico, Brazil, and Argentina.

**Co-researchers:** Ryouhei Konta, Akio Yonemura, Kanako Yamaoka, Hitoshi Ota (Oversea Research Fellow, 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)

## 6. Disability and Law in the Developing Countries—From the Perspective of Establishment of Legal Rights

**Organizer:** Masayuki Kobayashi

The objective of this research project was to analyze the development of disability laws and their implementation in

Asian countries, referring to rights put forth in the newly adopted UN Convention on the Rights of Persons with Disabilities (CRPD) to find issues hindering the enjoyment of full rights by persons with disabilities. The project reviewed the structure of current disability law in several Asian countries and discussed issues including (1) the motives and problems associated with establishment and amendment of disability laws, (2) the shift in the philosophical or theoretical paradigm of disability laws—from a welfare approach to a rights-based approach and from a medical model to a social model of disability, (3) consistency with the key principles of the CRPD, such as non-discrimination and reasonable accommodation, equality under the law and access to justice.

As to disability law in individual countries, we examined Cambodia, China, Korea, and Thailand, which established or revised disability legislation in accordance with the CRPD, and India, which had instituted its anti-discrimination laws before the CRPD. In addition to disability laws, we also discussed discrimination in the Philippines from the perspective of the Deaf and explored the definition of the key term, “disability,” in the context of Malaysia's disability law. It was found that most Asian countries have worked toward ratification of the convention and have also taken action to ensure that their domestic laws are consistent with the convention, either by passing new disability laws or by amending existing laws. However, it was found that in most countries that claim consistency with the CRPD, their compliance remains superficial without any real shift in their philosophical paradigm regarding disability.

**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

## 7. Industrial Cluster Formation in Asia and Regional Integration

**Organizer:** Akifumi Kuchiki (Nihon University)

At the end of FY 2009, this research group submitted a final report on its two-year project to follow a number of Asian industrial clusters with a variety of circumstances. The group analyzed industrial clusters and innovation in the context of continuing regional integration and offered policy recommendations for further development of industrial clusters in Wuhan and Shanghai, China and in Malay-

sia.

Kuchiki and Gokan submitted a paper on development of the flowchart approach from the standpoint of spatial economics and its application to the economic development of Thailand's eastern seaboard region. Kuchiki also submitted a paper on the application of the flowchart approach to CLMV countries. Suzuki submitted a paper on the future development of industrial estates under the framework of the WTO and the advantage and disadvantages of industrial parks in Laos in the context of regional integration. Hu and Liu submitted a paper on the role of universities and government in the process of industrial cluster formation for the optical industry in Wuhan, China. Meyanathan submitted a paper on policies for upgrading industrial clusters in the era of regional integration and an application of the flowchart approach to the electronics industry cluster in Malaysia. In addition, Meyanathan submitted a paper on the relationship between transnational firms and the automobile industry cluster in Shanghai. Komolavanij, Jeenanunta, Ammarapala and Chongphaisal submitted a paper on the effects of free trade agreements on the automobile industry in Thailand. Tsuji and Miyahara submitted a paper on the relationship between industrial clusters and innovation in small and medium enterprises (SMEs) and the relationship between innovation and the linkage between SMEs and R & D institutions. Kameyama submitted a paper on the characteristics of R & D partnerships in the Shihwa industrial estate in Korea, in the context of the shift from mass production to knowledge-intensive production (Honorific titles are omitted).

**Co-researchers:** Hu Bei (Wuhan University of Science and Technology), Liu Rongzhi (Wuhan University of Science and Technology), Saha Dhevan Meyanathan (Adviser for World Bank and Asia Development Bank), Somrote Komolavanij (Thamasat University), Chawalit Jeenanunta (Thamasat University), Veeris Ammarapala (Thamasat University), Pornpimol Chongphaisal (Thamasat University), Masatugu Tsuji (University of Hyogo), Motoyoshi Suzuki (Hiroshima University), Syoichi Miyahara (Aoyama Gakuin University), Yoshihiro Kameyama (The international center for the study of east asian development), Toshitaka Gokan

## 8. Economic Integration and Industrial Location in CLMV

**Organizer:** Ikuo Kuroiwa

Since the 1990s, Cambodia, Laos, Myanmar, and Vietnam (CLMV) have deepened economic integration with East

Asian economies by joining the WTO and FTAs and by eliminating trade barriers. Moreover, their domestic economies have also become more integrated through market reform and development of transportation networks. To summarize, economic integration was a result of decreasing costs of trade as well as increasing capital and labor mobility in the region. The goal of this study was to collect spatial (regional) data and conduct empirical studies on industrial centers in CLMV, with a particular focus on examining the impact of economic integration. In 2009, the first year of this two-year project, we collected, with the help of statistical offices or research institutes within the respective countries, detailed spatial data for CLMV as well as Thailand. This research resulted in both theoretical and empirical papers on economic integration and industrial location, an index for analyzing industrial locations, and a methodological paper describing an economic analysis of location choice by multinational enterprises. In papers on specific countries, we investigated industrial policies, regional development and industrial location policies in CLMV and provided explanatory notes on the spatial data to be collected in 2010. Empirical research using the spatial data will be conducted in 2010.

**Co-researchers:** Keola Souknilanh, Shozo Sakata, Toshihiro Kudo, Naomi Hatsukano, Futaba Ishizuka, Toshitaka Gokan, Kazunobu Hayakawa

## 9. Development Strategies for Lowest-Income Countries

**Organizer:** Tatsufumi Yamagata

The aim of this research project was to find ways in which lowest-income countries could develop economically in order to lift their citizens out of poverty. To this end, a number of model countries were selected and their development courses analyzed. The model countries investigated were Bangladesh and Cambodia where the garment industry led industrial development and poverty reduction. The Kenyan garment industry, which had not developed as smoothly as in these two countries, was also investigated as a counterpoint to highlight features of the Bangladeshi and Cambodian industries. Several hundred garment factories in the three countries were visited and interviews conducted using a tailor-made questionnaire. Information on production, sales, management, industrial relations, equipment, finance and policy responses was collected and combined with a companion dataset collected in 2003, which contained information regarding productivity, profitability, and contribution to poverty reduction of the sample firms.



Analysis of the combined data set resulted in the following observations: (i) productivity of export-oriented factories in Bangladesh and Cambodia improved between 2002 and 2008; (ii) there was frequent entry and exit of firms to the industry; and (iii) core workers in the industry experienced an increase in real wage between the two interview points. Based on the observations above, it was concluded that the export-oriented industrialization strategy, which earlier energized the East Asian Tigers in the 1970s-80s, also underpinned the growth of low-income, labor abundant countries in Asia in the present decade.

A literature review was also conducted to confirm the above-mentioned empirical analysis. As a whole, the surveyed literature concerning (i) economic growth and structural changes; (ii) trade liberalization, economic growth and equality; and (iii) industrial development and labor protection was consistent with the conclusions of our empirical study.

In a separate study, we reviewed literature regarding microfinance, which has been demonstrated to be a powerful instrument for poverty reduction in rural areas of developing countries.

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

## 10. Disabled Peoples' Organizations and Disability Policies in South Asia—From the viewpoint of Disability and Development

**Organizer:** Soya Mori

In South Asia, there are many issues that fall under the category heading “Disability and Development.” However, at present, we still do not have comprehensive overview of the activities and common issues related to “Disability and Development” in this region. The goal of this research was to gain an understanding of the relations between national policies regarding Persons with Disabilities (PWD) and the activities of Disabled People’s Organizations (DPO). Here we summarize the results of our preliminary reports.

Inoue analyzed the development of PWD policies and DPO activities in Nepal and found evidence of increasing awareness of the social model of disability. However, there still exists a gap between the theoretical understanding and reality of policies regarding disabled persons. Tsujita, using data on education from India’s Union Government, found that special education in India, especially for children with psychiatric and intellectual disabilities, lags far behind general education. However, with the enactment of

a newer law regarding disabilities in 2009, which includes psychiatric and intellectual disabilities in the definition of disability, it is expected that the situation will improve. Yamagata analyzed Community Approaches to Handicap in Development (CAHD) in Bangladesh. This newer Community Based Rehabilitation (CBR)-like approach does not sufficiently support independent living and does not fully cover people with hearing/visual or intellectual/psychiatric disabilities. Okuhira investigated the development of independent living in Pakistan. To this point, this development has been financially supported by foreign donors and it is necessary to think about sustainability of the project after external assistance ends. Mori compared the two national organizations of the Deaf in India, the All India Federation of the Deaf (AIFD) and the National Association of the Deaf (NAD). In his study, Mori identified a number of factors important for inclusive development of the Deaf in India, including the promotion of sign language interpreter services and their implications. Kobayashi analyzed several disability laws and the Constitution of Nepal. Through analysis of public interest Litigation (PIL) cases in Nepal, Kobayashi revealed that courts rule favorably for PWDs. However, problems related to low enforcement of laws regarding disabilities and slowness of the judicial process remain.

**Co-researchers:** Tatsufumi Yamagata, Yuko Tsujita, Masayuki Kobayashi, Kyoko Inoue, Masako Okuhira

## <Major Projects>

### 11. Analysis of the Current State of Affairs in Asia

**Organizer:** Satoru Okuda

Our project analyzed political, economic, and social developments in 2009 in 22 countries and regions of the Far East, East Asia, Southeast Asian and South Asia. In addition to the country-specific reports, we investigated intra- and inter-regional issues such as the development of ASEAN, U.S. policy towards Asia, and Russia’s policy towards Asia.

During the past decade, Asian economies have become increasingly involved in the world economy, due to increased trade and investment to and from the rest of the world. At the start of 2009, Asian economies, which had already more or less been experiencing deceleration of economic growth, anticipated that they would be further affected by the global recession that had begun the previous year. In an effort to minimize the effects of the global

recession, Asian countries dramatically increased public expenditures. Thanks to these timely expansionary fiscal policies and the gradual recovery of advanced economies, Asian economies had steadily begun to recover towards the end of 2009. The average economic growth of developing Asia countries registered more than 6% in 2009, outperforming the world average. In the process of the economic recovery, China expanded its economic influence within the region. The higher growth in several countries, such as China, India and Vietnam, was even accompanied by inflation, which suggested the need for an “exit strategy” to step back from the trend of expansionary fiscal and monetary policies.

Asia also experienced several important political changes. In May 2009, the Sri Lankan military defeated the Tamil Tigers. After three decades of the violent ethnic confrontation, national reconciliation will be the next challenge for the victor. The security situation in Afghanistan did not improve over the course of the year, in spite of the decision by the United States and NATO allies to send additional forces. In China, the large-scale riot in Xinjiang Province, which erupted in June, revealed that ethnic conflicts remain a major concern for the country. In the Korean Peninsula, relations were strained due to North Korea’s missile launch in April. In Thailand, political conflict between pro- and anti-Thaksin groups escalated throughout the year, and Cambodia’s decision to appoint Thaksin as economic advisor in November brought about more tensions in Thai-Cambodian relations. Also, in 2009, developing Asia witnessed harbingers of the sizable generational change to come. In Malaysia, Najib, a member of the young political elite, became the Prime Minister in April. The existence of the successor to North Korea’s Kim Jong-il, his son, became widely known.

The results of this research have been published in the *Yearbook of Asian Affairs 2010* (in Japanese) as well as in *Ajiken World Trends* (monthly journal in Japanese).

**Co-researchers:** Koji Murata (Doshisha University), Yukiyasu Arai (Hokkaido University), Koichi Sato (Oberlin University), Kumiko Mizuno (PT. GLC Consulting), Mitsue Osada (Tsukuba Gakuin University), Masami Mizuno (Nihon University), Hiroki Miwa (Chuo University), Kensaku Mimiya (Osaka University), Satoru Okuda, Sanae Suzuki, Hideki Hiraizumi, Hiroyuki Nikai, Masahiko Nakagawa, Norihiro Sasaki, Ding Ke, Hiroyuki Fuke, Takayuki Takeuchi, Hiroshi Ikegami, Minoru Teramoto, Mai Fujita, Norihiko Yamada, Shinichi Shigetomi, Yurika Suzuki, Masashi Nakamura, Koichi Kawamura, Takayuki Higashikata, Toshihiro Kudo, Norio Kondo, Yoshie Shimane,

Etsuyo Arai, Yoshihiro Nakanishi

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

**Organizer:** Satoshi Inomata

The recent widespread opening of markets in Asian countries (e.g. China’s entry into the WTO in 2001) and the resulting mobility of labor, goods and services has promoted the relocation of production bases of multilateral firms. In addition, the emergence of new market economies, such as Brazil, Russia, India, and China (BRICs), has resulted in increasing complexity of global production networks.

In connection to these changes, this group has endeavored to compile international input-output tables for Asia-Pacific and BRICs economies in 2005, in an attempt capture the above global structural changes and to provide an analytical tool with which to measure the impacts of economic shocks. In 2009, ancillary tables, i.e. employment tables and import duty tables, were constructed to support a variety of analyses. The group also investigated analytical methods for using the international input-output tables as well as compilation methodologies.

**Co-researchers:** Chiharu Tamamura, Hiroshi Kuwamori, Hajime Sato, Yoko Uchida, Takao Sano

## 13. Compilation and Application of Trade Indices V

**Organizer:** Yosuke Noda

The purpose of this research project is to calculate global trade indices, examine the use of these indices, and critically examine problems associated with formulations of world trade models. This project represents a continuation of the work of previous research projects “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” “Compilation and Application of Trade Indices IV.” This project has three main areas of focus: (1) identifying problems in compilation and evaluation of world trade matrixes and the formulation of time series data employing common trade classifications, (2) formulating and evaluating trade indices for East Asian countries and regions, (3) investigating comparative international economic analyses that employ a variety of trade and trade price indices.

A portion of the results of this year’s project were published in the IDE Research report titled *Compilation and*

*Application of Trade Indices: Change of Trade Structure and International Comparison*, compiled by Noda and Kuroko. Part 1 of the report deals with issues related to focus area (1) above: Group and connection for commodity correlation table, empirical study of Comtrade data and international comparison. Part 2 of the report deals with issues related to focus area (2) above: The relationship between unit value and price indices in trade statistics, compilation of unit value indices in China trade statistics, calculation and application of a standardized trade value index (STVI). Part 3 of the report deals with issues related to focus area (3) above: The real exchange rate and relative price of non-traded goods in Korea, change of trade structure and revealed comparative advantage (RCA) indices, technology choice, the relationship between international trade structure and productivity.

**Co-researchers:** Masato Kuroko, Soshichi Kinoshita (Nagoya University), Masanaga Kumakura (Osaka City University), Masahiko Gemma (Waseda University), Hisao Yoshino, Hisayuki Mituo, Satoru Kumagai.

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

### 14. Responses of Major Rice Exporting Countries to the Global Food Crisis: The Cases of Thailand, Vietnam, and India

**Organizer:** Shinichi Shigetomi

During the world food crisis of 2008, the international price of rice increased by a factor of three and some import-dependent countries faced political instability due to food shortage. The price surge was partly attributed to the ban on export by some major exporting countries. The responses of Thailand, India, and Vietnam, the world's three largest rice exporters, to the international price surge were quite varied. The goal of this study was to understand the background which brought about the different responses by these countries.

India has a large impoverished population and the government has to maintain low rice prices to ensure that this population has access to this staple. During the world food crisis, the Indian government encouraged farmers to provide rice to the domestic market by guaranteeing higher procurement prices while prohibiting the export of low-grade rice to ensure the availability of cheap rice to India's poor. India's strategy to control rice procurement was a mixture of volume and price control in both the producer

and consumer markets. On the other hand, the Vietnamese government uses a single mechanism to secure domestic rice supply, namely, export volume control. By controlling export volume, the government does not need to regulate pricing since the export price is sufficiently attractive for farmers while the price for domestic consumers is not excessively high. However, learning of the international rice shortage, domestic consumers became anxious about the domestic rice supply. The government banned rice exports, even though there was still a large surplus in the countryside. Thailand did not restrict rice exports because it had sufficient rice surpluses to satisfy domestic demand. The government has been encouraging farmers to plant rice through price intervention schemes particularly since the 1990s. Since urban consumers are now able to afford white rice even at the high price during the crisis, the government focused on the grievances of farmers who complained that prices were still not as high as the peak price. Thus, the government continued to subsidize paddy rice production even during the period when the international rice price was extraordinarily high.

### 15. Indonesian Elections of 2009 and the New Government

**Organizer:** Jun Honna (Professor, Ritsumeikan University)

In 2009, Indonesia held its third general election and the second presidential election since democratization. This research project empirically analyzed the 2009 elections and the establishment of the new government. The results of the research were compiled in as a book titled *The Indonesian Elections of 2009: Re-elected President Yudhoyono and Prospect of the Second-term Administration*, published in March, 2010. The 1st chapter on the legislative elections discusses the factors contributing to the victory by the ruling party and argues that a change in voting behavior was observed. The 2nd chapter on the presidential elections deals with the process of candidate nominations and President Yudhoyono's campaign strategy. The 3rd chapter analyzes the administrative problems of the election committee. The 4th chapter is a pioneering work on the recent emergence of election consultants. The 5th chapter compares the socio-economic background of newly-elected MPs with those of previous MPs. The 6th chapter analyzes the downward trend of Islamic parties' votes. The 7th chapter deals with the newly established second-term cabinet and political issues faced by President Yudhoyono. The 8th chapter discusses economic issues faced by the Yudhoyono administration and presents an analysis of the

economic policy making process. Lists of political parties, election results, and the names of the new cabinet members are provided as appendices.

**Co-researchers:** Koichi Kawamura, Takayuki Higashikata, Nobuhiro Aizawa, Masaaki Okamoto (Associate Professor, Kyoto University), Akiko Morishita (Special Assistant to the Political Section, Embassy of Japan in Malaysia), Ken Miichi (Associate Professor, Iwate Prefectural University), Yuri Sato (Special Advisor for Board Members of the Indonesian Chamber of Commerce (KADIN) )

## 16. The World Economy in Crisis—Visions from International Input-Output Analyses

**Organizer:** Satoshi Inomata

The Financial Crisis in the United States triggered by the collapse of Lehman Brothers has rapidly spread around the globe and is now starting to affect the real economy. All advanced nations, including, of course, the U.S., are trapped in a persistent downward spiral and the world economy seems to be wandering around in a dark labyrinth. This has, of course, also impacted Asian economies, which enjoyed unprecedented growth in the last two decades or so. In particular, China, the “Factory of the World,” has lost foreign customers and faces an urgent need to redirect production towards the domestic market. This study investigated the nature of the current crisis, using Input-Output Analyses to examine the production potential of individual countries, and endeavored to develop an outlook for the Asian economy.

Our final report, published under the title “Asia beyond the Crisis—Visions from International Input-Output Analyses,” is summarized as follows. Chapter 1 reveals that the shock delivered by the “triangular trade through China” inflicted significant damage to the entire Asia-Pacific region. Chapter 2 points out that the increasing role of China represents a mechanism of systemic unemployment transmission from the United States. Chapter 3 deals with the price effect of the Financial Crisis. Chapter 4 analyzes structural changes in production networks in the Asia-Pacific region and describes the China’s changing role within these networks. Chapter 5 examines the impact of the Financial Crisis on Factory Asia, providing evidence that regional production networks have begun to develop without being dependent on external drivers. Chapter 6 quantifies the impact of the Crisis and evaluates the effect of fiscal measures taken by the Chinese government, which are expected to have a significant impact on the formation of the post-crisis production networks in the Asia-Pacific region.

**Co-researchers:** Yoko Uchida, Ikuo Kuroiwa, Hiroshi Kuwamori, Hajime Sato, Meng Bo, Kazunobu Hayakawa, Nobuhiro Okamoto (Daito Bunka University)

## 17. Political Confusion and Legal System in Pakistan

**Organizer:** Hajime Sato

Pakistan has been experiencing political turmoil, especially since the suspension of Chief Justice of the Supreme Court Iftikhar Choudhary by the Musharraf government in 2007. Although Musharraf declared a State of Emergency and suspended fundamental rights such as freedom of expression, he eventually was forced to resign in 2008. Even since then, Pakistan has remained politically unstable. During this period, many constitutional and legal arguments have been put forward. For example, the newly formed coalition government was dissolved within a year of its formation due to internal disagreements over amendment of the Constitution and issues concerning the reinstatement of judges formerly dismissed by the Musharraf government. In addition, conflicts between the executive administration and the judiciary shed light on the distribution of power among different branches of government outlined by the constitution.

Given this background, the goal of this research project was to examine various aspects of Pakistan’s constitution and legal system which underlie the current, ongoing political confusion. The study resulted in three main findings. First, the constitutional problems related to expansion of executive power and independence of the judiciary remain significant, unresolved political issues. Second, the Superior Courts retain powerful jurisdiction, enabling various parties to bring political issues to the courts. Third, the Supreme Court of Pakistan has taken a range of stances, from judicial activism to judicial self-restraint, in adjudicating highly political constitutional issues.

**Co-researchers:** Yoshihiro Nakanishi, Noriyuki Asano (Associate professor, Department of Human and Social Sciences, Osaka Ohtani University), Hisaya Oda (Associate Professor, College of Policy Science, Ritsumeikan University)

## 18. Formation of India’s New Government Following the 2009 Parliamentary Elections: Its Policy and Direction

**Organizer:** Norio Kondo



In India, the general election to the House of People was held from April to May of 2009. The election was seen as a verdict on the five-year track record of the United Progressive Alliance (UPA) government led by the Indian National Congress. The first UPA government was able to fulfill its full five-year term in spite of an unstable coalition, demonstrating the maturity of India's democracy. A high rate of economic growth was achieved during the first UPA government and India's international status was raised through conclusion of the Indo-U.S. Civil Nuclear Agreement. The goals of this research project were, first, to describe the election process and results and, second, to analyze the policies of the new government.

In the final report, we first analyzed the factors contributing to the victory of Congress and the UPA. Next, we reported that, due to the continuity of government, no bold new policy initiatives were presented. In terms of domestic policies, the task of the new government is to deal convincingly with security issues such as terrorism and to effectively implement measures to reduce poverty, thereby strengthening the support base of the governing parties. In terms of foreign policy, the government will prioritize developing a more productive relationship with the U.S., i.e. the Obama Administration, in order to better balance India's key relations, which consist of the U.S., China, and Pakistan. In relation to economic policy, the new government, which advocates "inclusive growth," will work to improve financial health, which is seen as the first priority for achieving sound growth of the economy. With respect to employment, skill development (skill training) and vocational training are considered key factors for job creation and raising the level of job security, which, in turn, may contribute to overall social security. With regard to the controversial issue of privatization of state-owned enterprises, the new government does not indicate any major policy change, at least, now.

**Co-researchers:** Takenori Horimoto (Shobi University), Hiroshi Sato (Researcher), Kazutoshi Tamari (Chuo University); Shuji Uchikawa, Hitoshi Ota, Takeshi Inoue

## <Basic and Comprehensive Studies>

### 19. Stability in New Democracies

**Organizer:** Takeshi Kawanaka

The research project tried to explain mechanisms of stabilization (or destabilization) of new democracies. To this end,

the researchers employed both deductive and inductive inferences as well as qualitative and quantitative empirical examinations, depending on the nature of each research question. In the final reports, Kawanaka, examining the case of the Philippines, emphasized the effect of an urban bias in the period prior to democratization and the shift of the winning coalition after democratization. Nakamura, investigating the case of Malaysia, focused on the role of information manipulation in the survival of competitive authoritarian regimes. Kawamura traced democratization and democratic consolidation in Indonesia and found that the theory of self-enforcing institutions reasonably explained this process. Hazama, through quantitative examinations in the case of Turkey, investigated the function of constitutional reviews and concluded that such reviews contributed to democratic stability. Finally, Minato examined the causes of administration change in India and found that short term economic instability was the most statistically significant factor.

**Co-researchers:** Yasushi Hazama, Masashi Nakamura, Koichi Kawamura and Kazuki Minato.

### 20. Competitiveness and Constraint of Private Companies in the Middle East

**Organizer:** Ichiki Tsuchiya

The purpose of this research was to analyze the state of development and constraint of private sectors in some Arab countries.

Since the beginning of the 1990s, some Arab countries have implemented effective economic reforms that assume that the private sector will be the main engine of economic growth. As a result, the market share of private enterprises in these countries has gradually increased in recent years. However, further growth of the private sector appears to be hindered by a variety of obstacles including immature market conditions or lack of economic resources.

Given this background, we examined the achievements and constraints on the private sectors primarily of Arab Gulf countries and Egypt. In the case of Arab Gulf countries, banking sectors and non-oil companies were studied. In the case of Egypt, the study focused on the labor market as well as small and medium enterprises. The results of this research were compiled into a printed work titled "Private Sector Development in the Arab Middle East."

**Co-researcher:** Kenichi Kashiwagi (University of Tsukuba), Erina Iwasaki (Kyoritsu Women's University), Shin-suke Nagaoka (Kyoto University), Jun Saito

## 21. Laos: New Development of “Chintanakan Mai”

**Organizer:** Norihiko Yamada

In 1986, the Lao PDR put forth the slogan “Chintanakan Mai (New Thinking).” Since then, the Lao PDR has made a serious effort to enact market-oriented reforms. Economic reform requires both political and social reform and brings about many institutional changes. Previous investigations of “Chintanakan Mai” exist, but the majority of these focus narrowly on economic reform and do not consider social and political reform. Furthermore, most of these studies conclude that recent changes in Laos are the result of “Chintanakan Mai.” These studies tend to view 1986 as a watershed year and differentiate pre- and post-1986 periods. The pre-1986 period is considered the socialist era, while the post-1986 period is seen as era of the market economy. In contrast to these studies, we don’t take this approach. In order to gain a comprehensive and correct understanding of “Chintanakan Mai,” it is necessary to place “Chintanakan Mai” in the historical context of nation-state building. We emphasize the continuity of the nation-state building process throughout Lao’s modern history. This approach allows us to not only understand the recent change but also its meaning in the context of Lao history and, thereby, enables us to understand the essential meaning of “Chintanakan Mai.” In the first year of this research project (FY 2009), we issued an interim-report titled “Laos: New Development of “Chintanakan Mai,” in which we summarized the *de jure* and *de facto* state of part-state relations, local administration, fiscal system, economic cooperation, education, agriculture, and minerals development in Lao during the 1970s and 1980s. Building on this work, we plan to submit a final report in FY 2010.

**Co-researchers:** Souknilanh Keola, Motoyoshi Suzuki (Executive Advisor to Ministry of Finance & Economic Development, Sierra Leone), Shinsuke Tomita (Assistant Professor, Graduate School of Agriculture and Life Science, University of Tokyo), Junko Yano (Lecturer, Tokyo University of Foreign Studies), Phanhpakit Onphanhdala (Assistant Professor, Graduate School of International Cooperation Studies, Kobe University)

## 22. Whither the Military Regime in Myanmar?

**Organizer and researcher:** Toshihiro Kudo

More than twenty years have passed since the military forcibly took power in Myanmar in 1988. The newly-established military government tackled enormous challenges—namely, economic development and national

reconciliation. The military government opened its door to the regional and global economy and initiated a transition towards a market economy. In 1990, the military government held elections, although it ended up refusing to hand over power to the National League for Democracy that had won by a landslide. The military achieved a ceasefire with the major ethnic insurgents. Since that time, the international environment around Myanmar has also drastically changed. As such, the establishment of the military government was indeed an historic event for Myanmar. In this study, we take stock of these historical events and identify the underlying changes in order to envisage the future of Myanmar’s military regime.

**Co-researchers:** Yoshihiro Nakanishi, Miwa Yamada, Kenji Ino (Professor, The University of Kitakyushu), Keiko Tosa (Professor, Tokyo University of Foreign Studies), Tomoko Masuda (JICA Expert on Education), Bi Shihong (Associate Professor, Yunnan University), Tom Kramer (Researcher, Transnational Institute)

## 23. Conflict and State Formation in Africa and the Middle East

**Organizer:** Akira Sato

This research project examines conflicts in order to identify and conceptualize other dimensions of conflict beyond the obvious destructive aspects. Focusing particularly on Africa and the Middle East, the aim is to provide a mid-range transect of conflicts. The key concept of interest is “state formation,” which entails, at least provisionally in the initial stages of the project, broad process such as establishment of state institutions, nation-building and national integration, and consolidation of a particular power structure and political economy. This project, which began in April, 2009, is scheduled for two years. So far, case studies of six countries have been conducted: Iraq, South Africa, Kenya, Lebanon, Somalia and Côte d’Ivoire. These countries were selected to represent a transect of diverse conflicts in terms of historical background, nature, scale, and intensity, in order that we can examine the analytical validity of our concept of “state formation” which will be used further to deepen our understanding of conflicts. At the end of FY 2009, we issued an interim report comprising drafts of the introductory chapter and the six case studies mentioned above. The topics of the case studies were as follows: non-formal security organizations known in post-war Iraq as the “Awakening Councils” (Yamao); police sector reform in post-apartheid South Africa (Abe); amendment of the Constitution after post-election violence in Kenya (Tsuda);

destabilization of Lebanon under sectarianism (Aoyama); reexamination of the notion of “collapsed state” through the example of Somalia (Endo); voter registration as the central task in Ivorian peace process (Sato). The final report will be published in FY 2011.

**Co-researchers:** Miwa Tsuda, Mitsugi Endo (Professor, Tokyo University), Hiroyuki Aoyama (Associate Professor, Tokyo University of Foreign Studies), Toshihiro Abe (Associate Professor, Otani University), Dai Yamao (Ph.D candidate, Kyoto University)

## 24. African Firms in the New Era of Globalization

**Organizer:** Takahiro Fukunishi

After a long period of stagnation during the 1980s and 1990s, African economies have again began to evolve in the 21<sup>st</sup> century. A surge in commodity prices, improving infrastructure and investment climate through enhanced aid, and expansion of domestic consumption have led to growth of non-resource sectors. Foreign direct investment, which was quite small in non-resource sectors, is now a key driver of growth in retail (supermarket), mobile phone, finance, textile and horticultural sectors. The goal of this research project was to determine whether these changes have eliminated barriers to growth and will lead to sustained growth of African firms and producers.

In FY 2009, project members developed research frameworks and conducted field surveys on their respective topics. Nishiura conducted a preliminary survey of the food processing industry in East African countries, which is affected by the expansion of supermarket chains from South Africa and Kenya. Using original survey data, Muto conducted preliminary analyses of the rapidly growing furniture workshops in Tanzania, focusing on the development of clusters and their impact on productivity. Tokuori performed a preliminary analysis of the construction industry in Burkina Faso, which is also growing due to increased infrastructure aid projects. Yoshida described institutional aspects of the rapid increase of Chinese traders in Africa. Fukunishi, collaborating with researchers from the University of Antananarivo, conducted a survey of the garment industry in Madagascar to investigate the impact of foreign direct investment (FDI) on local firms. Building on this work, in FY 2010, group members will investigate whether African producers are coping with barriers to growth and whether they are on a sustained growth trajectory.

**Co-Researchers:** Megumi Muto (JICA Institute), Akio Nishiura (Soka University), Tomomi Tokuori (JICA), Ei-

ichi Yoshida

## 25. “Food Crisis” and Maize Supply in Developing Countries

**Organizer:** Tatsuya Shimizu

During the Food Crisis of 2008, we witnessed a surge in international grain prices, restriction of grain exports by some of food exporting countries, social unrest in food importing countries, criticism from the international community of the use of grains for fuel, and “land grab” by rich countries to secure food supply, etc. The crisis was analyzed by a number of international organizations including the United Nations Food and Agriculture Organization and numerous research institutes, focusing on the demand side. Some studies point out that, due to the increasing demand for fuel and feed, supply and demand of grains will be tight and grain prices will remain high. Other studies conclude that the growth in demand is not as great as estimated and we still have sufficient resources to produce grains. These studies reach very different conclusions regarding the demand for and the supply of grains.

Instead of analyzing global food supply and demand as a whole, as has been done in existing studies, we decided to focus in on the supply side of specific crops in specific countries. We selected maize because it is the most-produced grain in the world and has wider variety of uses compared with other grains. We chose seven countries to investigate comprising principle producers, exporters and consumers of maize (the United States, China, Argentina, Brazil and Mexico), a country whose supply-demand structure has recently changed significantly (Thailand), and a country in which maize is mainly produced for self consumption (Malawi). Taking into account changes in maize demand, we analyzed changes in the structure of maize production in recent years.

In the preliminary report titled “Food Crisis and Demand and Supply of Maize in Developing Countries” (in Japanese), we discussed the causes of the Food Crisis as analyzed in existing studies, described the basic structure of maize production, consumption, and international trade, comparing these with the case of other grains. Basic data on maize production in each of the seven countries investigated are presented in respective chapters.

**Co-researchers:** Tetsuo Oe (Meiji University), Junichi Shimizu (Policy Research Institute, Ministry of Agriculture, Forestry and Fisheries), Tsutomu Takane (Tokyo University of Agriculture), Hiroyuki Tani (Sophia University), Hisatoshi Hoken, Shinichi Shigetomi

## 26. Comprehensive Study on Cuba: Politics, Economy and Society under the New Government of Raúl Castro

**Organizer:** Kanako Yamaoka

The main goal of this project was to analyze Cuba under the Raúl Castro government from the viewpoint of the macro-economy, economic policy, domestic politics, social policy, race, and international relations and diplomacy. This is the first year of a two-year project, and our objective is to gain an understanding of the current state of affairs in each area of study utilizing their respective theoretical frameworks.

Kozaki analyzed the credibility of the macroeconomic data and applied a number of balance of payment models to the Cuban economy, and concluded that delayed financial policy has caused low economic growth. Tanaka investigated Cuba's relations with radical leftist governments in Latin America, especially Venezuela, in the regional integration framework. Yamaoka, employing a variety of international relations theories, explored the perception gap between Cuban and U.S. governments regarding each other's foreign policies. Kudo focused on the interaction between the State and race issues and concluded that the gradual official recognition of race problems in Cuba was the result of societal pressures following the conclusion of the Cold War. Usami described Cuba as a "socialist welfare state" and endeavored to apply the welfare state model to Cuba. Koike concluded that the relatively slow political transition has resulted in stronger state control over Cuban society.

Furthermore, we assigned one chapter of the report to Prof. Pavel Vidal Alejandro of Center for Studies of Cuban Economy of University of Havana to study economic policy. He pointed out that Cuba's macroeconomic imbalance and fixed exchange rate policy make it difficult to improve per capita income and that more drastic economic policies would be necessary to achieve this goal.

**Co-researchers:** Tomomi Kozaki (Senshu University), Takashi Tanaka (Chubu University), Yasuhiro Koike (Aichi Prefectural University), Takako Kudo (Keio University), Koichi Usami

## 27. Family Business in Twenty-First Century: The Case of Mexico

**Organizer:** Taeko Hoshino

Family business is the dominant form of enterprise in developing countries. Even large scale business groups with

diversified businesses do not represent exceptions to the rule. How are family businesses able to survive and grow in the context of intense competition brought about by economic globalization? This research project investigated the cases of twenty of the largest business groups in Mexico in order to identify the reasons for the success of family businesses. The main results of the study are summarized here.

The growth of business groups is, for the most part, rooted in capabilities and control structure established before the onset of economic globalization. These business groups were formed in the context of underdeveloped market institutions and intimate relations between the government and private sector, i.e. business environments that are characteristic of developing countries. Economic globalization has had both favorable and unfavorable impacts on family business. Favorable is an increased competition and unfavorable is an expansion of business opportunities. Economic globalization has increased opportunities for business (favorable) but also increased competition (unfavorable). Increased competition due to globalization has increased the pace of "natural selection" of family businesses. The list of the 20 largest business groups in Mexico has seen a change in half of its members over the past two decades. Family businesses that have continued to grow in the era of economic globalization have the common characteristics of aggressively pursuing business opportunities afforded to them by economic globalization and of acquiring new capabilities and restructuring their business in order to adapt to new environments. The control structure established by the founding families is maintained because it is backed up by institutional arrangements formed under aegis of intimate relations between the government and private sector. Thus, economic globalization has had limited effect on changing the control structure of family business.

The result of the project will be compiled and published as a book in Japanese in 2010.

## 28. Economic Management and Industrial Structure in DPR of Korea

**Organizer:** Masahiko Nakagawa

This study aims to examine the unique economic policies of the D.P.R.K. The self-reliance policies of the Worker's Party of Korea not only brought about the rapid industrial development in the 1950s and 1960s, but also introduced some latent issues that partly surfaced as the external debt problem in the 1970s and the economic stagnation accompanying the food shortage in the 1990s and 2000s.

To investigate the structural causes of these economic difficulties, the organizer analyzed trends in national in-



come, the evolution of policies related to economic development, the system of governmental control on industrial enterprises, and the organization of enterprise clusters.

## 29. Participation of Taiwan and Hong Kong in East Asian Regionalism

**Organizer:** Takayuki Takeuchi

In East Asia, ASEAN+3 countries continue the work towards currency cooperation through the Chiang Mai initiative, multilateral FTAs, and the proposed East Asian Community. In addition to being members of APEC, Taiwan and Hong Kong are members of the WTO, which enables them to sign FTAs with other WTO members. The economies of these two territories are as developed as those of OECD member nations and are on par with the advanced economies within ASEAN. So the participation of Taiwan and Hong Kong in East Asian regional frameworks is considered indispensable. However, their participation has not always been actualized.

This study investigated the reasons why Taiwan and Hong Kong have been excluded from East Asian regional frameworks and explored the potential future statuses of these two territories within the region. First, in comparison to other territories around the world, and considering the international world order after WWII, Taiwan and Hong Kong have been treated unfairly, both within global community and within Asia. Second, the Chinese government has prevented Taiwan and Hong Kong from participating in regional frameworks. The Taiwanese government under Chen Shui-bian intended to enlarge Taiwan's international relations by promoting FTAs, and let Chinese government firm to deny the authority of Taiwan to sign FTA with other WTO members.

However, the Chinese government faced the dilemma that Hong Kong, a vassal territory of China, would also be excluded from FTA network and regional frameworks for economic corporation. However, since President Ma Ying-jeou came to power in Taiwan in 2008, the Chinese government has changed its stance towards the Taiwanese government and has showed a willingness to allow Taiwan to sign "FTA-like" agreements such as the Comprehensive Economic Cooperation Agreement (CECA) and its successor, the Economic Cooperation Framework Agreement (ECFA). It has also allowed Hong Kong to join the Chan-Mai initiative, a regional financial cooperation effort, and to sign FTAs with the other states or custom territories.

With respect to the future prospects of these two regions, there are two issues to consider. The first is the possibility that China will accept FTAs between Taiwan and other

countries and Taiwan's participation in multilateral FTAs or regional frameworks. Singapore seems to be willing to sign a FTA with Taiwan. But China will not compromise the absolute discretion with Taiwan on this issue, because China remains concerned about Taiwan's reaction when the KMT (Chinese Nationalist Party) transferred power to the Democratic Progressive Party. The second possibility is the legitimate integration of Taiwan and Hong Kong, and Mainland China into Greater China. Vincent Siew, the current Vice-president in Ma Ying-jeou's KMT administration, has proposed a "Cross-Strait Common Market." But the legitimate formation of Greater China will not be realized in the near future, as long as the citizens of Taiwan refuse to relinquish their unique identity.

## 30. The Transformation and Implications of "Political Representative Structure" in Latin America

**Organizer:** Naokatsu Uetani

This research project aims to gain an understanding "the transformation of the political representative structure" and its implications to Latin American politics by reviewing the substantial volume of literature on the subject, including "Left Turn in Latin America (by Hector Schamis et al.)," "The Crisis of Democratic Representation (by Scott Mainwaring et al.)," "Organizational Foundation of Populism (by Kenneth Roberts)," and, above all, "Anti-Neoliberal mass mobilization & Social Movements (Eduardo Silva, Richard Stahler-Sholk et al.)." Although I have previously investigated the political functions and significance of "political movement(s)," "social movement(s)" and "movement party(s)" in the Andes (Ecuador and Bolivia), in this research, the same issues were examined in other "left-leaning" governments in this area. The cases studied could be classified under three categories according to the relationship between government parties and social movements. A common observation in all cases was that, even under the "left-leaning" governments, as government parties (or movement parties) become increasingly "normalized" over time, the political significance of social movements tends to decline to even a greater extent than had been expected.

## 31. Rural Development in the Developing Countries: an Approach using Social Network Analysis

**Organizer:** Shozo Sakata

This research project aims to review literature concerning social network analysis (SNA) and to seek ways to apply

this analytical approach to studies of rural development in developing countries. Conventional studies on rural development have tended to conceptualize relations among rural residents as forms of organizations and the relation between producers and consumers of agro-produce as dyads. However, new approaches must be sought to evaluate today's complex socio-economic situations in rural areas.

SNA provides methodological tools to evaluate the network structures of a society or relations. This research project inventories specific concepts and research methods used in SNA and identifies those that would be useful for studying rural development in developing countries. The project also re-evaluates organization theories, food-system theories, and community theories based on insights from SNA.

**Co-researchers:** Emi Kojin, Yuka Kodama

### 32. The Public in Turkey

**Organizer:** Kaoru Murakami

This research project examined the state of “the public” (public sphere, publicness, and public good) in Turkey and how “the public” has emerged as an entity distinct from “the state”. At the conclusion of the one-year project, we submitted a final research report at the end of FY 2009. Here we summarize the results of the individual research papers. Sawae elucidated how norms and disciplines bind and/or enable women to participate in Islamic movements and reflected on the relationship between religion, culture, and the public sphere, a topic which has largely been ignored in existing studies which are based mainly on Western experiences. Kimura examined the state of publicness in Turkey through examining how the issue of disaster prevention has been treated in Turkish society. He concludes that “publicness,” as an entity distinct from “the state,” develops through a process of trial and error. Hazama analyzed why the topic of the “public sphere” emerged suddenly in 2002, and suddenly faded away 5 years later, and why Habermasian understanding of the “public sphere” achieved short-lived popularity but eventually failed to replace the state-centered definition of “public sphere.” Murakami examined how the poor, who have been assumed to be excluded from the discussion regarding social assistance, actually participate in the process of defining social assistance as a public good. As a whole, these papers provided a variety of examples of the emergence of “the public” as an entity distinct from “the state” and also demonstrated its development through a process of trial and error.

**Co-researchers:** Fumiko Sawae, Shuhei Kimura, Yasushi Hazama

### 33. Globalization of Islamic Banking and Its Role in Individual Countries

**Organizer:** Miki Hamada

Islamic finance has shown remarkable development. Many Islamic financial institutions have been established in the Middle East, South-East Asia and South Asia. Islamic finance has expanded its scope 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 the economies in the Gulf area and Malaysia and has garnered attention of non-Islamic countries such as the UK, Singapore and Hong Kong. Japan is also one of the countries interested in Islamic finance; however, the practice of Islamic finance is still interest limited. In this project, we endeavored to shed light on the various elements of Islamic finance and explore the different role played by Islamic finance in different countries. On conclusion of the two-year project, we submitted a final research report at the end of FY 2009, in which we explored Islamic finance in 16 countries and economies: Saudi Arabia, Egypt, Iran, Jordan, GCC (Bahrain, Kuwait, Qatar, Oman, UAE), Pakistan, Malaysia, Indonesia, Singapore, the UK, France, Hong Kong. Our research examined how Islamic financial systems have developed in each country and how the Islamic financial institutions conduct financial operations in accordance with Islamic law (Sharia). Our studies revealed that Islamic finance practices vary as a result of the local political and social context and stage of economic development. In addition, we examined this contextual diversity in light of the characteristics and experiences of each country.

**Co-researchers:** Etsuaki Yoshida (JBIC, Japan Bank for International Cooperation), Shinsuke Nagaoka (Kyoto University), Rika Nakagawa (Toyo University) Mehboob ul Hassan (Kyoto University), Sadashi Fukuda, Hitoshi Suzuki, Toshikazu Yamada, Jun Saito

### 34. 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 critical questions in the development strategy of the developing countries. Emerging East Asian countries, which have achieved high savings-to-

GDP and investment-to-GDP ratios, are considered to be successful in this regard. This means these countries mobilize and utilize their domestic resources (funds) successfully. However, inflow of foreign capital, including foreign direct investments, has also played an important role in the development of East Asian countries.

On the one hand, the Asian Currency Crisis, which occurred fourteen years ago, underscored the risks accompanying reliance on foreign capital inflows. Learning from this experience, many emerging Asian countries adopted a much more cautious approach to management of foreign reserves, amassing large reserves as a result. This has led to a strange situation in which these developing economies have become net exporters of capital, while developed countries, notably the U.S., have become net importers of capital, although conventional economic theory predicts just the opposite. There is, as yet, no consensus on the costs/benefits of this strategy adopted by developing Asia and remains a point of controversy among scholars and policymakers.

In this study, we analyzed changes in economic systems and policies of Asian countries in to context of the changing international financial market. Special attention was paid to the effect of changing capital inflows on the domestic financial systems of individual countries. The study also emphasized the unique characteristics of individual countries which represent a great diversity in economic systems and institutional arrangements. In addition, we endeavored to consider, as much as possible, recent developments resulting from the Lehman Shock.

**Co-researchers:** Masaaki Komatsu (Hiroshima University), Fumiharu Mieno (Kobe University), Yasuo Sone (Nihon University), Yuichi Takayasu (Daito Bunka University), Rika Nakagawa (Toyo University), Koji Fuda (University of Tokyo), Hitoshi Sato, Chie Kashiwabara, Kazuhiko Oyamada, Koji Kubo

### 35. East Asia's Economic Integration: Theory and Practice

**Organizer:** Daisuke Hiratsuka

Developments of technical elements of fragmentation trade theory over the past few decades have led to substantial advances in economic theory, theory of multinational enterprises (MNEs) and New Economic Geography (or spatial economics). Advancement of these theoretical frameworks enables us to investigate trade pattern and the location of industry in East Asia. This study concludes that the tariff reduction by individual countries is not enough to build an

East Asia equivalent to North America or Europe. Indeed, East Asia has taken advantage of the exemption of import tariffs on intermediate goods implemented by individual countries as well as by the information Technology Agreement (ITA) under the WTO. The result has been an expansion of trade and agglomeration of industry in the region. This analysis implies that the establishment of a single market and implementation, in addition to elimination of tariffs, of measures to facilitate trade will enable East Asia to attract more multinationals to set up manufacturing bases in the region. CLMV (Cambodia, Laos, Myanmar, and Vietnam) can form production networks, enabling them to narrow development gaps, if the infrastructure across countries is well-designed and effectively implemented. The cultivation of human resources is also important. In an integrated market, indigenous firms will have opportunities to globalize, which will help to vitalize East Asia. SMEs, however, are at a disadvantage when it comes to benefiting from free trade agreements (FTAs) because of limited resources for investment and lack of human resources. Therefore, it will be necessary to support SMEs so they are not penalized by market integration.

### 36. Regular Jobs, Non-regular Jobs, and International Trade

**Organizer:** Hitoshi Sato

Non-regular jobs have increased dramatically in Japan since the 1990s. Interestingly, Korea has also experienced a similar trend over the same time period. It seems that the surge of non-regular jobs in these countries is deeply linked to economic globalization. Japanese businesses have demanded more flexibility in the Japanese labor market be able to compete in an intensely competitive global market. Korean firms became keenly interested in achieving employment flexibility especially in the aftermath of the Asian financial crisis. Nevertheless, few rigorous studies have investigated the link between the recent surge in non-regular jobs in Japan and Korea and economic globalization. We address this issue through statistical analyses along with case studies, focusing particularly on the impact of international trade.

In 2009, the first year of the two-year project, as a preliminary study, we collected and reviewed available data, interviewed Korean scholars, and surveyed existing literature related to this issue. Based on several publicly-available labor market datasets, Machikita and Sato report that the recent increase in non-regular jobs in Japan has occurred at much more rapid pace in the manufacturing sector than in the service sector. They also did not observe

pronounced spikes in the upward trend of non-regular jobs although Japan experienced major deregulations of non-regular workers twice in 1999 and 2004. In fact, non-regular jobs in the manufacturing sector had already started to rise since in the mid-1980s, briefly reaching a plateau in the very early 1990s. In the survey of existing literature, Machikita and Sato pointed out that few studies have examined the issue of non-regular jobs in the context of open economies. However, they reported that the labor economics literature argues that increase in employment flexibility has very different economic results depending on whether it affects only non-regular jobs, i.e. there is no comparable change in the employment rigidity of regular jobs, or it affects all jobs. They also found that labor market issues such as labor market rigidity as a source of comparative advantage have recently been garnering the interest of trade economists.

Investigating the current status and characteristics of non-regular jobs in Korea, Takayasu found that many non-regular workers were engaged in full-time employment with fixed duration contracts and that the majority of such workers involuntarily chose non-regular employment. Takayasu also hypothesized that the demand by labor unions for more favorable labor conditions following the Asian financial crisis forced Korean firms to cut labor costs by preferentially using non-regular workers.

**Co-researchers:** Tomohiro Machikita, Yuichi Takayasu

### 37. Governance Problems in Public Financial Management in Developing Economies

**Organizer:** Kazuhiko Oyamada

The purpose of this research project was to reassess key elements of governance associated with the main areas of public finance, including as budgeting, taxation, and debt management, and to study how improvement of these governance elements affects the fiscal management system. During the first year of the two-year project, project members reviewed the existing literature and interviewed experts in their respective research areas. These results were submitted as an interim report, summarized as follows. Studying factors limiting the advancement of tax systems in developing countries, Prof. Hanai confirmed the importance of leading political participation of citizens by requesting tax payment to the people who receives benefit from public services, as well as increasing tax revenues through economic growth. Reviewing patterns of public debt management in developing countries, Kashiwabara found that there was much room for improvement in the

definition and application of the concept of debt management, management by the government of public debt, and technical aspects of public accounting systems. Investigating the decision-making mechanisms of international aid agencies, Prof. Kohama pointed out that discussions related to reform of the governance of international organizations center mainly on the allocation of voting shares to member countries, which do not always contribute to improving the ability of these organizations to assist developing countries. Prof. Kondo comprehensively surveyed the availability and present state of governance-related indices and drew attention to the new trend of constructing database systems that utilize available indices rather than compiling new data, since most of the existing indices are not in a format amenable to empirical analyses. Investigating the present status of policy evaluation and accountability systems in developing countries, Nogami found that those systems tend to function as internal governmental control or justifications for government activities rather than as means for informing citizens of governmental performance. Assuming that improving transparency is one of the top priorities in the early stages of public finance reform, Oyamada outlined ideas for attaining economic growth through improving governance of public finance.

**Co-researchers:** Kiyohito Hanai (Professor, Faculty of Economics, Seijo University), Chie Kashiwabara, Hirohisa Kohama (Professor of Economics, Faculty of International Relations, University of Shizuoka), Masanori Kondo (Senior Associate Professor of Economics, College of Liberal Arts, International Christian University), Hiroki Nogami

### 38. Changing Determinants of Secondary School Enrollment: The Case of Rural Indonesia

**Organizer:** Kazushi Takahashi

Indonesia achieved its goal of universal primary education in 1988. Since then, the government's emphasis has shifted to expanding educational opportunities at the secondary level. In addition to the 6 years of primary education, 3 years of junior secondary education was declared to be basic education in 1989 and compulsory education in 1994. This was followed by the Free Basic Education Policy in 2005, which mandated that junior secondary school be free. During this period, the overall enrollment rate of secondary school-aged children, and especially that of rural children, increased dramatically. Using data from 1993, 2000, and 2007, this study examined the changing determinants of secondary school enrollment in rural Indonesia, with a focus on supply-side (school), demand-side



(child and household), and environmental (community and regional) factors. Among others, we found that the gender gap in enrollment has all but disappeared over time and contributed to the overall increased enrollment rate in rural areas. In addition, after the declaration of junior secondary education as compulsory, the proportion of children within a community enrolled in secondary school increased, which, in turn, increased the likelihood of school enrollment of individual children. We also found that enrollment disparities related to household wealth/income have been diminishing, but continue to exist even after introduction of the free secondary education. Finally, we found, rather unexpectedly, that supply-side factors, such as the construction of secondary school in a village, do not have a significant effect on the likelihood of enrollment. The final paper was submitted to an academic journal and is currently under review.

### 39. Agricultural Productivity Growth and Economic Development: The Dynamic Effects of Land Ownership and Market Frictions

**Organizer:** Kazunari Tsukada

Sectoral shift from agriculture to industry and services is widely recognized as an empirically demonstrated step in the course of economic development. It has also been emphasized that agricultural productivity growth is the most decisive determinant of successful structural transformation of an economy. A growing body of both theoretical and empirical literature now exists on the role played by the agricultural sector in long-run economic development.

Departing from previous studies, I intended, in this project, to develop a multi-sector model that takes into account market frictions and unequal land distribution in rural economies. Although these issues have received much attention from researchers, they have seldom been examined in the context of the long-run relationship between economic and agricultural development. I consider a dynamic model that addresses the issue of labor reallocation between rural and urban sectors formulated as an agents' decision problem. The model contains both labor mobility costs and persistent income shocks with different degrees of insurability for each sector. Solving the model numerically, I found that the simulated data can potentially explain the empirical pattern of the labor reallocation in Thailand when plausible parameters are exogenously chosen. However, the model does not yet incorporate the effect of land distribution inequality. Furthermore, the estimations of important structural parameters such as the degree of partial insurability are left for future work.

### 40. Brand-new Regional Mechanism for International Security

**Organizer:** Katsuya Mochizuki

We tried to apply a theoretical framework similar to Barry Buzan's Regional Security Complex Theory (RSCT). One of our co-researchers reviewed this theory in his mid-term report. RSCT became a starting point and a frame of reference for our study. Another co-researcher discussed the emergence of a regional security architecture in Asia-Pacific region. He described general characteristics of this architecture, although specific descriptions in the literature vary. Three analytical levels are pointed out, and advocates of concepts are also classified in line with conceptual developments. Experiences in this region may indicate the possibility of application to other area.

Co-researchers having abundant research experience in various geographical areas (South-east Asia, Central Eurasia, Europe, Latin America, and Africa) were invited based on their research interests in the field of security studies. The above regions were covered in the case studies of this project. Specific research topics for the final report are chosen in accordance to the academic interests of individual researchers. The report included four case studies, jointly prepared and revised, along with a theoretical review of RSCT.

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

### 41. Fiscal Decentralization and Development

**Organizer:** Hiroko Uchimura

Fiscal decentralization has become a trend in the developing world. The background and specific design of decentralization varies by country. Taking into account this diversity in decentralization experience, we focus on the issue of fiscal decentralization. In the second year of our two-year research project, we completed our research and produced a final report consisting of Part I and Part II.

Chapter 1 of Part I reviews the conceptual and historical backgrounds of decentralization and provides comprehensive overviews of fiscal decentralization in developing countries. The remaining three chapters of Part I respectively examine intergovernmental fiscal relationships through case studies of three Asian developing countries, the Philippines, Thailand, and Vietnam. In line with the progress of fiscal decentralization, expenditure

responsibilities of local governments in each country have increased. However, the locally-derived revenues have not necessarily increased. Thus, fiscal transfer from central to local governments has become increasingly important in meeting the expanded expenditure responsibilities of local governments.

The chapters in Part II focus on issues related to fiscal decentralization. Chapter 5 examines the relation of local finance to health development in the decentralized health system of the Philippines. Empirical investigations reveal that lower disparities in health expenditures within a province lead to a higher immunization rates and better health outcomes, e.g. lower infant mortality rates, in the province. Chapter 6 focuses on local revenue in addition to the education sector in the context of decentralization in Thailand. It was found that regional economic disparity is related to differences in the extent of fiscal decentralization between regions. Chapter 7 focuses on local finance below the provincial level and examines the influence of the local fiscal structure on economic or social development. It was found that local fiscal structure has a given impact on the inequality in local fiscal capacity or household income but that its impact on health development is limited. The availability of local fiscal data, particularly at the sub-national level, is limited. Along with improvements in data quality and availability, further refined studies are expected

## 42. Engineers as Engines of Industrial Development

**Organizer:** Yukihito Sato

Technology is an important factor of economic growth in Asia. How have the Asian countries achieved technological development? Our project attempted to answer this question, focusing on the roles of engineers. We examined South Korea, Taiwan, Philippines, and China, and succeeded in deepening our understanding of each economy's experience as well as in gaining the following insight about Asian economic development.

First, we were able to gain deeper understanding of the nature of Korea and Taiwan's economic development. Existing studies have recognized the Korean government's strong leadership in Korea's economic development. Our study revealed that the Korean government also played a significant role in the process of technological advancement and assimilating engineers into business enterprises and that it tailored education policy to support development. In contrast, the contribution of the private sector to development was considerably more significant in Taiwan. We described how engineers and their startups helped to

create Taiwan's high-tech industries. We further observed that existing large firms, and not the engineer startups, led development in the 2000s.

Second, we discovered that the Philippines failed to incorporate engineers and their activities into its economic engine, resulting in a drain of engineers abroad. As a consequence, the Philippines have had greater difficulty in effectively utilizing its engineers at home and in upgrading its technology base. This vicious downward cycle represents a crucial obstacle to the Philippines' economic development, particularly in comparison to Korea and Taiwan where firms actively conduct R&D using many local engineers. More fundamentally, the Philippines lacks factors such as government in Korea and heretical engineers in Taiwan that could help it break the vicious cycle.

Third, our approach can also be applied to understanding China's economic growth. Based on the discussion above, it is apparent that integrating engineers into corporate activities is essential for sustaining economic development. We found that the mid-1990s saw a shift in Chinese firms which began to emphasize in-house R&D and employ greater numbers of engineers, which has enabled China to sustain economic growth.

**Co-researchers:** Makoto Abe, Moriki Ohara, Yurika Suzuki.

## 43. 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 forests, fisheries, and water. Proper resource management is an essential element of effective policy to ensure stable economic development with concomitant reduction in poverty over the long run.

This research project focused on the socio-economic backdrop for government policies related to management of environmental resources, which serve as the basis of a variety of economic and social activities in developing countries. Using a social science framework, we evaluated institutional arrangements that would support effective long-run resource management. Focusing on resource management, we conducted integrated analyses of economic development and environmental policies.

During the course of economic development, inappropriate or excessive use of environmental resources often occurs, resulting in negative externalities, i.e. environmental

problems, such as degradation of natural resources and industrial pollution. We plan to analyze policies regarding environmental resource management in developing countries as well as examine environmental policy in Japan from a historical perspective. Taking into consideration the socio-economic context of those policies, we will attempt to derive implications for policies related to economic development, resource management, and the environment in developing countries.

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

#### 44. 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, which has experienced astonishing economic growth, is one of the most heavily polluted lakes in China, and although numerous measures aimed at water conservation have been taken for many years, these have not yet proved sufficient. A new initiative to hold community environmental roundtable meetings in Jiangsu Province, aimed at inviting public participation and input, is considered to be one of the more effective potential new tools of environmental policy to complement the existent regulatory enforcement and market-oriented measures. This research project aims to develop a new model of community roundtable meetings as well as to evaluate other ongoing initiatives for water environment conservation in the Tai Lake basin, drawing on the experiences of Japan and other countries. This fiscal year, IDE conducted a collaborative research project with the School of the Environment (SOE) at Nanjing University titled “A Social Experiment in Consensus Building on Water Environment Conservation in the Tai Lake Basin.” IDE was tasked with collecting both quantitative and qualitative data during community roundtable meetings organized by the SOE and to evaluate their achievements and to identify remaining tasks. In January, the IDE co-organized an international workshop on “Building New Clean Water Networks in China: Challenges and Opportunities for Protecting Lake Tai” with the China Environment Forum, the Woodrow Wilson International Center for Scholars, and the SOE, with funding provided by the Center for Global Partnerships of Japan

Foundation in Nanjing, China to disseminate our research results and to foster an international network of groups interested in Tai Lake water environment issues.

**Co-researchers:** Yayoi Isono (Prof. of Tokyo Keizai University), Kaori Fujita (Prof. of St. Andrew’s University), Motoyuki Mizuochi (Senior Research Fellow of National Institute for Environmental Studies)

#### 45. Fair Trade and Poverty Reduction

**Organizer:** Hiroshi Kan Sato (Senior Chief Economist, Trade and Economic Cooperation Department, JETRO)

“Fair trade” has just started to gain popularity among Japanese people. Fair trade chocolate in gifting season is one of the entry points for ordinary individuals. Many people believe that Japan is a promising market for fair trade goods. But, there is cynical view that fair trade will not result in poverty reduction and that the main benefit of fair trade is to the consumer. Thus, our main research question was “can fair trade contribute to poverty reduction? And if so, under what circumstances?”

While it is expected that consumers in developed countries, including Japan, will prefer to buy “cheaper and better” products, fair trade goods available in Japan are not necessarily “cheaper” and are not necessarily “better” quality. Therefore, our first practical question was “what makes consumer want to buy fair trade products?” Retailers of fair trade goods in Japan can be divided into two categories. One category comprises individuals who have social development experience in developing countries, and the other category comprises business-oriented social entrepreneurs. The activities of the former group are aimed more at poverty reduction and may not be so profitable, and may even be, at times, conducted at a deficit. The activities of latter group are more market-oriented but may still not be so profitable. Our second practical question, then, is “to what extent can fair trade be producer friendly and still maintain a minimum profit?” We investigated trends in world fair trade and compared these to the experience in Japan.

**Co-researchers:** Mari Nakamura, Eiichi Yoshida, Akiko Yanai, Motoi Suzuki (Associate Professor, National Museum of Ethnology), Yuho Hayakawa (Director, 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), Toy-

oaki Komatsu (Chief, Craft-Link Department, SHAPLANEER), Yoshiko Furuya (Japan International Cooperation Center)

#### 46. The Growth and Transformation of Korean Chaebol in the Post-Developmental Era

**Organizer:** Makoto Abe

Korean business groups (*chaebol*), with the support of the Korean government, grew rapidly during the developmental era of the mid-1960s to mid-1980s. The Korean government implemented economic liberalization policies after late 1980, but chaebol continued to expand in scale and breadth (business areas) and survived the economic crisis of 1997. The purpose of this study was to investigate changes in management organization and resource allocation in *chaebol* after the late 1980s. This study focuses particularly on the Big 4 groups, Samsung, LG, Hyundai and SK. The final report explains that, in order to continue growing, the Big 4 *chaebol* enacted managerial reforms which entailed promotion of salaried managers and decentralization of group management organizations. In addition, it was found that the larger the group, the more vigorous the intra-group resource allocation. With respect to personnel, the career path of salaried managers has changed. Recruitment of the top managerial hierarchy from outside the group has decline and internal promotion has increased. This, in turn, has facilitated the decentralization of the group management organization. In terms of financial resources, intra-group capital allocation underpinned the business expansion in the early-1990s and the financial restructuring after the economic crisis. However, the reform of corporate governance legislated by the government has made intra-group capital allocation difficult and, as a result, has strengthened the managerial autonomy of affiliated companies *chaebol*. These developments will lead to further transformation of managerial structure *chaebols* in the near future.

#### 47. “Inter-firm Dynamics of Notebook PC Manufacturing Industry and the Growth of Taiwanese Firms”

**Organizer:** Momoko Kawakami

This research project explored the rise of the capabilities of Taiwanese ODM firms operating in notebook PC value chains. Specifically, the research focused on the changing pattern of inter-firm dynamics among the three major actors in the industry, namely (1) Intel, a powerful component vendor and platform leader, (2) brand-carrying firms

in the US and Japan that control access to final markets, and (3) Taiwanese ODM firms that control detailed design and production. A three-step approach was employed in which we studied (1) the competitive and collaborative inter-firm relationships among the three major actors, (2) the knowledge flow among these three actors, and (3) the strategy on the part of Taiwanese suppliers to exploit learning opportunities structured in the changing configuration of knowledge flow in the industry’s value chains. The study divided the evolution of the notebook PC industry into two phases, i.e., approximately before and after 2002-2003, and explored each of the three topics above during both of these phases. These analyses provided insight into how Taiwanese firms interacted with the two other powerful actors, exploited learning opportunities embedded in value chains, and came to possess an information pool and unique capabilities.

#### 48. The Role of the Japan-Korea Technology Network

**Organizer:** Junko Mizuno (Director-General, Interdisciplinary Studies Center)

Since normalization of Japan-South Korea relations, South Korea has achieved rapid economic growth based on the Japan-South Korea technology network. However, this Japan-South Korea technology network has contributed to South Korea’s trade deficit with Japan and has become grounds for South Korean demands for additional technology transfer from Japan.

It is believed that the South Korean trade deficit with Japan is a result of the technological weakness of South Korean small- and medium -sized companies that produce “parts and materials”. The Korean government, therefore, has argued that the trade imbalance would be alleviated if Japanese small- and medium-sized companies that produce similar “parts and materials” would invest in Korean firms. Thus, our research team analyzed which commodities were responsible for the trade deficit with Japan.

We identified iron and steel, semiconductors, and machineries as the main products responsible for the trade deficit. These commodities are not produced by small- and medium-sized companies in Japan, but, rather, by large companies.

Based on this finding, we hypothesized that South Korean big companies introducing some technologies from Japanese should import capital goods and industrial supplies when they produce the same products as Japan.

In order to test the above hypothesis, we investigated the case of LCD panel products. At first, LCD panels contrib-



uted to the trade deficit with Japan, since all of production facilities, raw materials, and component manufactures were in Japan. However, the trade deficit associated with LCD panels is decreasing, due to the fact that big Japanese companies have invested in Korea, setting up production facilities in Korea and at the same time utilizing Korean component manufacturers. This study clarified the role and significance of the Japan-South Korea technology network and how it has contributed to Korea's economic growth.

**Co-researcher:** Yoshimi Ito (Visiting Professor, Kanagawa Institute of Technology), Toru Fujita (Senior Analyst, Information Analysis & Research Dept. Sumitomo Shoji Research Institute, Inc.), Hisami Mitarai (Senior Staff, Consulting Strategy Planning Department, Nomura Research Institute), Jun Je-Goo (Visiting Research Fellow, IDE-JETRO)

#### 49. Frontiers of Spatial Economics

**Organizer:** Satoru Kumagai

New economic geography (NEG) or spatial economics is one of the frontiers of social science. A variety of empirical and simulation studies emerged after great strides in spatial economics theory were made in the 1990s. There is a wide range of fields, from international economics to urban economics and engineering-based research where this theory is applicable. In this study, we were interested in studying the application of NEG at the frontiers of social science. However, our intention was NOT to comprehensively survey NEG. Instead, the five authors pursued five different examples of NEG application related to their own fields.

Our final reports are summarized as follows. Hayakawa tried to show that the trade in intermediate goods trade is positively correlated not only with demand in importing countries but also the demand for finished goods in neighboring countries. Gokan explored the interaction between upstream and downstream firms in a two-region general equilibrium model from which he derived some predictions. Machikita proposed a new mechanism for linkage of innovation and networks in developing economies to explain explicit production and information linkages. The linkage hypothesis was tested using survey data gathered from manufacturing firms in four East Asian countries. Kumagai attempted to describe the challenges involved in developing realistic numerical simulation models based on NEG. One key concept discussed was the use of a "topological" representation of geography, rather than "mesh" or "grid" representations or simple "straight lines" connecting cities. Watanabe endeavored to determine whether product dif-

ferentiation or geographical differentiation was the source of profitability of Chinese firms. Analyzing original survey data on market location, product type difference, and price, Watanabe found that geographical differentiation mitigates price competition pressure to a greater degree than product differentiation.

**Co-researchers:** Toshitaka Gokan, Kazunobu Hayakawa, Tomohiro Machikita, Mariko Watanabe

#### 50. Pacific Island Nations in the Era of Globalization

**Organizer:** Mitsuki Shiota

The infamous Berlin Wall fell on November 9, 1989. This event coincided with the start of the collapse of the Cold War system that had dominated the world order since the end of World War II. The Cold War System was displaced by globalization characterized by two prominent changes.

One prominent change was the rapid expansion of the capitalist economy. In addition to the western capitalist countries, former socialist states as well as third world countries such as China and India joined the capitalist system. The world population engaged in the capitalist economy jumped from one billion to three billion.

The other prominent change marking globalization was technological transfer triggered by the IT revolution and innovations in financial technology, which have made China and India "factories of the world."

As a result, GDP of the world has tripled, global trade has increased five-fold, and financial assets have ballooned thirty-fold in the 20 years from 1989 to the Lehman shock in 2008.

The Pacific Island nations were unable to participate in this globalization to the same degree as Japan and experienced relatively little change in these last 20 years.

In addition to the economic stagnation, Pacific Island nations experienced deterioration of politico-bureaucratic governance, which has resulted in coup d'états, civil wars, and ethnic conflicts.

Furthermore, climate change aggravated by globalization has dealt blows to Pacific Island nations in the form of king tides, jumbo cyclones, and droughts.

And now, the Pacific region is on the brink of large-scale geopolitical transformation. China is challenging the ANZUS-dominated politico-military order in the Pacific. China is advancing into the Pacific region, both politically and economically, trying to transform Pacific Island nations into tributary states.

The Pacific is now plunging at the critical moment.

**Co-researchers:** Kazuhiro Kazama (Associate Professor, Graduate School of Humanities and Social Sciences, University of Tsukuba), Jun Baba (Research Fellow, The Japan Society for the Promotion of Science / Tokyo University of Foreign Studies), Daichi Ishimori (Junior Fellow, Research Institute for Languages and Cultures of Asia and Africa, Tokyo University of Foreign Studies), Satoshi Tanahashi (Professor, Ochanomizu University), Takehiro Kurosaki (Oceania Division, Asian and Oceanian Affairs Bureau, Ministry of Foreign Affairs), Tetsu Ichikawa (Program Coordinator, Rikkyo University), Norio Niwa (Assistant Professor, Center for Research Development, National Museum of Ethnology)

### 51. Comparative Studies on the Governance of Local Governments in Southeast Asia

**Organizer:** Fumio Nagai (Osaka City University)

Since the 1990s, as part of the state restructuring schemes for democratization or political stability, many Southeast Asian countries established more decentralized local administration systems. However, substantial characteristics and impacts of such decentralization schemes seem to differ by country according to the process by which decentralization was achieved and the central-local relationship prior to decentralization. As a first step in our two-year research project, our research team focused on gaining a better understanding of local administration systems in each country by collecting data on a variety of aspects including the processes of decentralization, types and structures of local governments, distribution of authority, mechanisms for policy coordination between the central-local governments, presidential and mayoral electoral systems, and fiscal systems. Our research team also investigated the functions of basic local administrative bodies in rural areas along with the central-local government relationships, which reflect each country's fundamental philosophy on self-government. In our research report for FY 2009, we explored similarities and differences in "government" and "local governance" among Southeast Asian countries.

**Co-researchers:** Kazuhiro Kagoya (Kanto Gakuin University), Kenichi Nishimura (Osaka University), Masaaki Okamoto (Kyoto University), Motoko Kawano (GRIPS), Motoko Shimagami (Kyoto University), Tsuruyo Funatsu

### 52. International Recycling System Design

**Organizer:** Michikazu Kojima

As the world economy becomes increasingly integrated, recyclable waste products such as waste plastic and scrap steel as well as secondhand goods such as used automobiles and home appliances are increasingly traded and transported across national borders. Recyclable waste products partially satisfy the increasing demand for resources in emerging countries. The increase in availability of secondhand goods through international trade improves the welfare of poor people in developing countries. Effective international utilization of recyclables is likely to become increasingly important in the future. To achieve sustainable resource usage across borders, it is necessary to ensure that international trade is smooth and stable. It is also important to prevent pollution from recycling in poor countries. In this study, we reviewed international trade statistics on recyclable and hazardous waste. In addition, we examined the Basel Convention and national legislation regulating the transboundary movement of recyclable waste, hazardous waste and secondhand goods. Finally, we evaluated designs for an international recycling system.

**Co-researchers:** So Sasaki (Mitsubishi UFJ research and Consulting Co., Ltd), Chung Sung Woo (JSPS Foreign Research Fellow), Jun Tsuruta (Japan Coast Guard Academy), Rie Murakami-Suzuki (National Institute for Environmental Studies), Aya Yoshida (National Institute for Environmental Studies), Shozo Sakata, Tadayoshi Terao, Etsuyo Michida.

### 53. Studies on Macroeconometric Models for Policy Evaluation

**Organizer:** Hiroki Nogami

This study attempted to clarify the role of macroeconomic models for policy evaluation, with special reference to developing countries. Since the 1970s, the IDE has had substantial experience with formulating macroeconomic models for Asian developing countries. Model building projects usually involve the study and identification of model specifications applicable for a particular developing country or countries. These models are then used to forecast economic growth or to simulate the effects of policy. In this study, we first reviewed the past experience of the IDE in macroeconomic modeling for developing countries. Hiroki Nogami and Jinichi Uemura reviewed model building activities of the IDE in the 1980s and 1990s. Special attention was paid to aggregate demand and supply adjustment mechanisms, specifications of price expectation, and supply side modeling.

Second, we explored the application of macroeconomic

metric models for policy evaluation in Asian countries. Hiroki Nogami and Satoru Okuda discussed factors affecting domestic demand in Asian countries. Special attention was paid to policies aimed at increasing long-run domestic demand in Asian countries. In addition, potential policies to promote domestic demand-led were explored through estimation of the consumption function.

Finally, the report includes an appendix by Jinichi Uemura exploring macroeconomic models currently used by the IDE in the study of Asian countries.

**Co-researchers:** Jinichi Uemura, Satoru Okuda

#### 54. Comprehensive Study of Taiwan III: Centripetal and Centrifugal Power of Taiwanese Society

**Organizer:** Yukihito Sato

Taiwan is a small country compared to Japan. It comprises an area slightly smaller than Kyushu and has a population of 23 million, less than one fifth of Japan's population. Internally, however, Taiwan entails a multi-layer ethnic social structure and externally, it has a very complicated and peculiar relation with China. Furthermore, these internal and external factors often interact with each other. As a consequence, the answers to questions such as what Taiwanese society is and whether Taiwanese society will be sustainable in the future are not obvious. It is important to recognize, however, that Taiwan's future will have a significant impact on the whole of East Asia, including Japan.

Our project examined the direction in which this intricate society is moving today. In particular, we attempted to determine whether Taiwanese society is becoming more coherent or more divergent.

Our project approached the above questions by looking at a variety of aspects of Taiwanese society, including its *Yuanzhumin* (indigenous peoples), *Waishengren* (main leaders), new immigrants, social stratification, political society, gender and aging, environmental protection, the National Palace Museum, and economic interactions with China. We sought to answer these questions by analyzing social divisions and efforts to mend these divisions observed in these various aspects of society. In addition, we attempted to synthesize our analyses of individual societal aspects to gain a more comprehensive overview of Taiwanese society.

Fiscal year 2009 represents the first year of our two-year project. Our goal this year was to define our research objectives, to formulate specific research questions, and to submit an interim report. In the second year we will further our analyses of the respective aspects of Taiwanese society

and synthesize our results into a more comprehensive understanding of Taiwanese society today.

**Co-researchers:** Ichiro Numazaki (Tohoku University), Rwei-ren Wu (Institute of Taiwan History, Academia Sinica), Kaku Sechiyama (The University of Tokyo), Kimimasa Matsukane (Utsunomiya University), Hisahiko Kamizuru (Prefectural University of Hiroshima), Naoki Ishigaki (Japan Society for the Promotion of Science), Tomoyoshi Tanoue (Japan Society for the Promotion of Science), Tadayoshi Terao, Hiroshi Ikigami

#### 55. Changing Legislative Process in Thailand

**Organizer:** Shinya Imaizumi

This two-year project studied the legislative process in Thailand, focusing on institutional reform and its consequence since 1990s. The research team consists of five Thai studies researchers specializing law, political science, and sociology.

Since the 1990s, Thailand has experienced rapid institutional reform in a variety sectors due to pro-democratic and socio-economic changes in Thai society. The existing legislative process has not always been successful in responding to the growing demand for new and timely legislation; thus reform efforts have been turned on the legislative process itself. Reform of the parliamentary system had been a focal point of political reform in the 1990s and again received attention in drafting of the 2007 Constitution. Our focus was not limited to the legislative process within the parliament but also including various stages, such as drafting within a given ministry or office, prior to submission of a bill to the parliament. The Thai government had been seeking a mechanism for legal reform, eventually resulting in the establishment of the Law Reform Commission under the 2007 Constitution.

Our research comprised two parts: (i) analysis of the structure and function of legislative institutions and (ii) case studies of particular legislation. In the first-year's progress report, Imaizumi reviewed the development of parliamentary system in Thailand and included a statistical review of legislation. Iida reviewed the institutional features of the various law reform commissions that had been established since the 1990s. Aoki studied the constitutional framework and political background of parliamentary control on the conclusion of treaties, which has become a political priority in recent years. Nishizawa and Yoshimura conducted preliminary review of the legislative process, focusing, respectively, on laws related to consumer protection and the rights of handicapped persons.

**Co-researchers:** Maki Aoki, Junzo Iida (Professor, Faculty of Law, Soka University), Kikuo Nishizawa (Assoc. Professor, Kochi Junior College), Chie Yoshimura (Graduate School of Asian and African Area Studies, Kyoto University)

## <Overseas Joint Studies in Developing Countries>

### 56. FY 2009 Joint Research—“Japan-China Economic Collaboration”

**Organizer:** Toyojiro Maruya

Since the late 1990s, Japan and China have been experiencing increasing economic integration, as evidenced by increasing trade interdependence, direct investment, and human relations, in step with the high growth rate of the Chinese economy. Due to its declining birth rate and aging society, Japan does not expect to see increased domestic demand in the near future. Thus, the healthy growth and development of the Chinese economy is essential for underpinning growth of the Japanese economy. At the same time, from China's perspective, because it is attempting to adjust its economic growth formula, Japan's environmental conservation, energy conservation, and manufacture knowhow are attractive. Japan and China are in a complementary relationship, and in order to build an economic relationship that is mutually beneficial to both countries, we must fully understand the issues faced by each country and also promote collaboration and cooperation between countries. With this in mind, JETRO initiated its “Japan-China Economic Collaboration” research in FY 2005.

The present research began in December 2009, with the aim of completing a report within one year and submitting it to the Guangdong Province government and the Ministry of Economy, Trade and Industry. This research project comprises the three following are: (1) the current state of Guangdong's economy and the direction of future economic development; (2) local economic development and industrial advancement based on Japan's experience and economic Theory; and (3) economic and business collaboration between Guangdong and Japan for the structural coordination of Guangdong's economy. Because the project straddles the fiscal year-end, a mid-term report (for FY 2009) will be presented at a workshop in early March, 2010, and the final report (for FY 2010) will be completed by the end of November 2010.

**Co-researchers:** Akifumi Kuchiki (Professor, Nihon University), Hiromichi Ozeki, Nana Izumi, Toshitaka Gokan, Shintaro Mine, Mitsuhiro Yokota, Ryo Ikebe, Shinya Amano

**Collaborators:** Shinji Fukukawa (Chairman, The Machine Industry Memorial Foundation), Masahisa Fujita (Professor, Konan University), Masao Kawakami (Director of National Planning Division, Ministry of Land, Infrastructure, Transport and Tourism), Toru Ishioka (ITOCYU Corporation)

### 57. CJK (Japan, China and Korea) FTA Joint Research Project

**Organizer:** Junko Mizuno (Director-General, Interdisciplinary Studies Center)

In November 1999, at a three-way summit held on the occasion of the ASEAN+3 Summit in Manila, leaders of the three countries, Japanese Prime Minister Keizo Obuchi, Chinese Prime Minister Zhu Rongji and Korean President Kim Dae-jung, agreed to pursue Joint Research. This joint research, taking the form of a collaborative research project carried out by representative institutes of the three countries, has been ongoing since 2003.

In 2009, the Japanese research institute and research organization responsible for writing the final report, the Institute of Developing Economies affiliated with the Japan External Trade Organization (IDE-JETRO), together with the Development Research Center of the State Council of China (DRC) and the Korea Institute for International Economic Policy (KIEP), conducted joint research aimed at promoting economic cooperation among the three countries and proposed a policy brief at the meeting of three leaders of these countries.

The Action plan for Promoting Trilateral Cooperation among China, Japan and Korea (CJK), which was decided at the Trilateral Summit in December 2008, included a clause titled Joint Studies on the Trilateral FTA, which stated that Joint Studies started in 2003 will reach the conclusion phase in year 2008, and further in-depth studies by the three institutions will begin in 2009. Under the plan, in 2009, IDE-JETRO together with the two other institutes have begun the phase two study on a CJK FTA.

In embarking on the new phase of this study, the CJK recognized the importance of assessing the impacts of the recent Global Economic Crisis on trade in Northeast Asia. In addition, the joint research team identified trade facilitation as another important aspect of the CJK FTA.

The CJK issued the three following policy recommendations: (1) to share a common policy direction toward



further liberalizing regional trade; (2) to take advantage of trade facilitation in a CJK FTA; (3) to upgrade joint research on the CJK FTA by commencing discussion among officials from the three government.

**Co-researchers:** Akiko Yanai, Toshitaka Gokan, Kazutomo Abe (Prof., Dept. of Humanities & Social Sciences, Tokyo Denki University), Koichi Ishikawa (Professor, Institute of Asian Studies, Asia University; Visiting Researcher, JETRO), Hiromichi Ozeki

## <Investment promotion program for Africa>

### 58. Investment Promotion Program for Africa

**Organizer:** Katsumi Hirano

This program was funded by the Japanese government as a part of implementation of policy committed to in the Yokohama Action Plan set forth in 2008, at the 4th Tokyo International Conference on African Development (TICAD IV). The objective of the program was to promote the entry Japanese companies into Africa and is conducted in collaboration with JETRO offices in Africa. Our activities can be classified under the two following headings:

1. collecting information on business in Africa, disseminating this information in the form of database.
2. providing scientific methodologies to Japanese companies for developing policies to overcome the risks and costs involved in conducting business in Africa.

As to the first category of activities, we collected almost 250 profiles of companies that have enjoyed rapid growth in several African countries. This information was collected through on-the-spot surveys, interviews conducted by JETRO offices, and investigation carried out by local institutions in South Africa. In addition, we put together specific reports on corporate social responsibility (CSR) activities, BOP (Bottom of the Pyramid) business, and China in Africa, which are considered at present to be keys topics related to African business. All of the collected information is already publicly available on our website under the title "African Growing Enterprises (AGE) Files." Concerning the second category of activities, we are working with three Japanese companies with operations in Africa. Through these joint projects, we are providing scientific methodologies with to tackle problems in Africa;

- 1) Toyota South Africa: HIV/AIDS problem

The goal of this project is to catch HIV infection rate in Toyota factories in South Africa, which has the largest

HIV-infected population in the world. The project will also help Toyota to create an effective HIV/AIDS treatment program for its employees.

- 2) Mitsubishi Corporation: community development

The objective of this project is to help Herculite Ferrochrome (Pty) Ltd, a subsidiary of Mitsubishi Corporation and the only Japanese company operating a mine in Africa, draw up an effective plan for promoting development of the surrounding communities in South Africa.

- 3) Sumitomo Corporation: malaria prevention in Madagascar

The aim of this project is to evaluate the social and economic impacts of the Olyset Net made by Sumitomo Chemical Co. Ltd. It will assist Sumitomo Corporation, currently the biggest Japanese investor in Africa, in building a nickel and cobalt production-base in Madagascar and in developing a malaria prevention program as a CSR activity.

In FY 2009, we completed preliminary preparations for these projects. We will shift to the intervention phase in the next few years.

**Project team:** Seiro Ito, Chizuko Sato, Hisaki Kono, Kazunari Tsukada, Takahiro Fukunishi (all IDE-JETRO), Masataka Miyaji (ex-executive of Mitsubishi Corporation), Hidehiko Ichimura (University of Tokyo), Yasuyuki Sawada (University of Tokyo), Satoshi Ohira (Keio University), Nobuhiko Fuwa (Waseda University), Masayuki Kudamatsu (Stockholm University), Hiroshi Arimoto (Hitotsubashi University), Jun-ichi Yamazaki (University of Tokyo)

## <Commissioned Projects>

### 59. Phase 1 of Impact Evaluation of the Pasak Irrigation Project in Thailand

**Organizer:** Seiro Ito

This study was commissioned by the Foundation for Advanced Studies on International Development (FASID). The objective of the study is to assess the economic impacts of the irrigation system designed and constructed in Thailand by Japan International Cooperation Agency, using a rigorous impact evaluation methodology. Phase 1 of the project was concluded with submission of a final report. Phase 2 of the project began at the end of FY 2009 and is expected to be completed at the end of FY 2010.

## 60. Foreign Direct Investment by the Japanese Agri-Food Industry in ASEAN and Its Effect on the Intra-Industry Trade of Food Products: A Statistical Analysis

**Organizer:** Ikuko Okamoto

This study is a part of the project titled “The Effect of Development Import and Intra-industry Trade of Agri-food Products on the Japan’s Agricultural Sector: Empirical Investigations,” funded by the Ministry of Agriculture, Forestry and Fisheries. Over the past few decades, the Japanese agri-food industry has increased its foreign direct investment (FDI) flows to Asia. It has been argued that Japanese FDI in Asian manufacturing enhanced intra-industry trade of manufactured products between Japan and host countries. The purpose of the project was to uncover the empirical relationship between the recent surge in FDI in the agri-food industry and intra-industry trade of agri-food products and also to investigate the impact of these trends on Japanese agriculture.

We reviewed literature on the theoretical link between FDI and intra-industry trade as well as the empirical analysis of the linkage between FDI and intra-industry trade in the case of manufactured goods other than food products. Since there has been, until recently, little research on FDI in the agri-food industry, it was necessary to first calculate intra-industry trade indices for each agri-food product based on its HS classification and to estimate the relationship between prior FDI and intra-industry trade indices using panel data for Japan + China/ASEAN pairs. We found that the intra-industry trade indices of agri-food products are generally lower than those of other manufactured products. However, there is some variability both in level and trend depending on the trading partner and detailed product category. In addition, we found that FDI flows increased intra-industry trade even in the agri-food industry, although the quantitative impact was smaller than in the case of other manufacturing sectors

## 61. The Impact of Small-Scale Irrigation Scheme and System of Rice Intensification in Indonesia

**Organizer:** Kazushi Takahashi

Official Development Assistance (ODA) from developed countries, such as loans for construction of irrigation facilities, has been used as a means to help developing countries improve their socio-economic conditions. The study site—the Kelara Karalloe irrigation scheme (KK) in Indonesia—was originally funded by Japan Bank for International Cooperation (JBIC) and was implemented as a part of

Phase III of the Small Scale Irrigation Management Project (SSIMP). The major objectives of SSIMP are to alleviate poverty and to raise farmers’ living standards through the improvement of irrigation facilities. While it is generally assumed that the project has achieved these objectives, at least partially, it is necessary to rigorously verify its impact. By rigor, we mean that we must be able to clearly demonstrate that there is improvement in agricultural productivity and income that is solely attributable to the development of irrigation facilities through this project. To meet this objective, we conducted household surveys of 390 irrigation beneficiaries (30 upstream; 60 midstream; 120 downstream) and 180 non-beneficiaries. In addition, we intensively collected information about 400 farmers in the midstream area, where the availability of irrigation water is limited. Furthermore, approximately 100 farmers who adopted a new system of rice technology (SRI) were surveyed to evaluate the impact of SRI, which was also facilitated by SSIMP-III. These data were collected in collaboration with Pelangi, an Indonesian NGO. We are currently analyzing these data and will publish a final report in FY 2010.

**Co-researchers:** Seiro Ito

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

### 62. Local Firm’s Learning through Foreign Direct Investment in Sub-Saharan Africa: The Case of the Garment Industry in Madagascar

**Organizer:** Takahiro Fukunishi

The recent growth of the manufacturing sector in sub-Saharan Africa is expected to lead overall economic growth and help to alleviate poverty in the region. Among poor African countries, the most significant growth has occurred in the garment industry. However, much of this growth appears to be attributable to foreign firms and local firms do not seem to have experienced significant development. Given that learning through foreign direct investment (FDI) has been effective in other developing countries, it is hoped that investigation of the lack of growth of local firms in the case of sub-Saharan Africa will reveal obstacles to growth of African firms. In this research project, local firm’s learning through FDI is investigated through a case study of the Malagasy garment industry.

In FY 2009, we evaluated a number of potential analytical frameworks and made preliminary visits to field sites.

Since we found that the number of local firms that had started learning (i.e. had started to export) was small, it is determined that a standard analytical method based on reduced form would not be suitable for the analysis of learning factors in this case. Thus, we evaluated an approach based on a structural model of the learning decision, which had previously been employed in an investigation of the learning behavior of the Kenyan garment industry. In field visits, we visited industrial associations and relevant government ministries to request cooperation with interviews of garment industry firms scheduled to be conducted in FY 2010. We also identified a local research counterpart (Department of Economics, University of Antananarivo). In FY 2010, we will conduct interviews with firms in the garment industry and analyze interview results.

### 63. Job Search and Matching in Urban Labor Market: Networks in the Chinatown vs. Agglomeration

**Organizer:** Tomohiro Machikitai

The labor markets in developing economies have undergone remarkable transformation over the past three decades. The urban population has grown, while market size and vacancy have increased, and labor markets have become congested. In order to evaluate the magnitude and mechanisms behind the mismatch between unemployment and vacancy in urban labor markets, we must have a deep understand of the strategic behavior of both job-seekers and establishment. Knowledge of the structural underpinnings of disparities in the urban labor market will help guide development of empirical strategies and methods of evaluation for active labor market programs aimed at wage growth, as well as higher matching and flexible turnover of the labor market. At the same time, it would be useful to study the role of informal job networks in job search and matching, as the importance of such informal networks in both developing and developed economies has recently been (re-) emphasized by theoretical and empirical researchers.

This research project proposes a new mechanism linking job search-matching, networks, and market size in developing economies that enables researchers to explicitly investigate the role of urban landscape, i.e. “the Chinatown” and urban agglomeration. The project investigates testable predictions of these informal linkages in both “Chinatown” and urban agglomeration settings, using survey and establishment-level data from developing economies such as Indonesia and Thailand. In order to characterize the search-matching mechanism in urban labor markets, this

research will: (1) describe the process of skill formation and the returns to general and specific skill; (2) identify the key players (information hubs) in the formation of job networks; (3) investigate the quality and geographic extent of job networks. Based on these data, this research will compare the roles (complementarities and substitutability) of informal and formal transactions in urban labor markets in achieving optimal unemployment levels, duration, and long-term match quality. This year, I first investigated the internal landscape of “Chinatowns” and the relationship between entrepreneurship and attainment of higher education. Second, I started empirical and theoretical characterization of urban labor markets based on previous literature.

### 64. The Location Choice of Multinational Firms and the Impacts of FDI on Performance at Home according to FDI Type

**Organizer:** Kazunobu Hayakawa

The objective of this project is to identify differences in the impact of FDIs on the economies of the investing countries and countries that are being invested in by FDI type. The project is divided into two sub-objectives: to understand (i) the location choice of multinational firms and (ii) the impacts of FDI on their performance in the domestic economy. A number of recent papers have examined these two issues. However, those papers have focused only on two traditional FDI types. In contrast, this project includes other recently-introduced FDI types and, thus, aims to achieve a more comprehensive investigation of the two issues above.

In FY 2009, which is the first year of this project, I began with an investigation of the first issue, the location choice of multinational firms. I found that there are a variety of difficulties in conducting a comprehensive analysis that includes many FDI types. In particular, difficulties arise when trying to simultaneously examine multiple FDI types and multiple-countries. Thus, in FY 2009, I performed a comprehensive analysis including only the two traditional FDI types. While previous studies examined these two traditional FDI types separately, I simultaneously investigated the location choice for both FDI types.

In FY 2010, I plan to achieve the following three tasks: (i) complete the comprehensive analysis on the location choice for the two traditional FDI types; (ii) conduct an incrementally more comprehensive analysis on the location choice by adding one more option, i.e. platform type FDI; (iii) begin analysis of the impact of FDI on investors’ performance in the domestic economy. Then, based on the results of my analysis on location choice this year, I will

start refining my analysis of the impacts on the traditional FDI.

### 65. Ethnic Chinese and the State

**Organizer:** Nobuhiro Aizawa

What characteristics do we see in the politics of a country that hosts a large Chinese community? What kind of political agenda have the leaders of such countries had to face? In this research project, I investigated the above questions through a case study of the history of the *Masalah Cina*, or the Chinese/China Problem, in Suharto's Indonesia and the results of which were published as a monograph titled *Kajin to Kokka—Indonesia no Tina Mondai* (The Ethnic Chinese and the State—*Masalah Cina* in Indonesia) in February, 2009 (Shosekikobo Hayama: Tokyo).

The book described how the Indonesian government during the Suharto era handled its relationships with China and the Indonesian Chinese at three level, i.e. the Asian regional, national level, and inter-government levels. Understanding the relationship between the Indonesian government and the local ethnic Chinese community within this multi-layer context provides a basic framework for understanding contemporary issues faced by Asian Countries with large Chinese communities. Emphasis on the relationship between Indonesia and China were given not only to the diplomatic level, but more importantly in case of Indonesia, the level of the Overseas Chinese policy of China as well towards the Indonesian community. From this, it is evident that Indonesia has revised its view of China as a “threat” to that of a beneficial “entrepreneur,” or more precisely, from the Fifth Column to businessman. The book is expected to make a significant contribution by deconstructing the logic and mechanics of the Suharto regime's construction of the “Chinese Problem” (*Masalah Cina*). While scholars have analyzed some of these policies or investigated Indonesian Chinese responses to these policies, no study has delved into the processes and politics (and the respective proponents) by which these policies, many of which remain place despite efforts in recent years to dismantle them, were formulated, executed and enforced.

### 66. Analysis of Poverty Reduction Policies in India Using Field-Experiments

**Organizer:** Seiro Ito

This study implements experimental interventions suggested by economic theory. Their empirical impacts are examined by rigorous impact evaluation methodology. This year, we initiated (1) a health microinsurance project

and (2) a rural health worker project. In (1), we intervened in the market in such a way that allowed us to separately identify adverse selection and moral hazard in the insurance market of rural south India. With regard to (2), this year we conducted a baseline survey.

### 67. Assembler-Supplier Relationships and the Growth of Local Suppliers in the Vietnamese Motorcycle Industry

**Organizer:** Mai Fujita

The objective of this research project was to analyze the growth of local component suppliers in the Vietnamese motorcycle industry, focusing on the role of assembler-supplier relationships. Since the development of this industry has been driven primarily by competition between subsidiaries of the Japanese motorcycle manufacturers and local Vietnamese motorcycle assemblers that initially assembled Chinese imported components, one of the industry's prominent features is the coexistence of two distinct forms of assembler-supplier relationships. This research aims to shed light on how changing assembler-supplier relationships in this industry affected the capability-building trajectories of local component suppliers over the decade starting in the late 1990s.

The second year of this three-year-project focused on analysis of the field data collected in the first year from 21 local suppliers. The key findings of our analyses are as follows: (1) the supplier capability-building trajectories evolved over the decade, with some suppliers achieving remarkable improvement in capability levels after the year 2005; and (2) the evolution of the suppliers' capability building trajectories was primarily driven by the emergence of two distinct learning models—the Japanese model developed by subsidiaries of Japanese motorcycle manufacturers and the Chinese model inherited by the local Vietnamese motorcycle assemblers—and transformation thereof in the specific context of Vietnam. Analysis of the transformation of the Chinese assembler-supplier relationships in the Vietnamese context was published as IDE Discussion Paper No. 230 titled “The Diversity and Dynamics of Industrial Organisation: Transformation of Local Assemblers in the Vietnamese Motorcycle Industry.”

### 68. The Basic Studies on Chinese Businessmen in Myanmar

**Organizer:** Yoshihiro Nakanishi

This project represents a basic study of Chinese entrepreneurs in Myanmar, who have contributed significantly



to Myanmar's economic development since the 1990s. This year I conducted two surveys in Yangon. First, with the assistance of staffs from a local research institution, I conducted interviews of approximately 30 top export companies regarding company ownership and management. Second, I collected Chinese-language documents, some of which were published in Yangon in the late 1950s, available at the "Chinese Library" (華僑圖書館) in Yangon. These documents, including 60 books that I copied and sent to Japan, provide new insight into the history of the Chinese in Myanmar society.

### 69. Qualitative Study of the Social Mobility of Rural-Urban Migrants in Modern China

**Organizer:** Mami Yamaguchi

This project focuses on the social mobility of migrants. As China continues on the path of urbanization and industrialization, the size and job opportunities in the rural sector are decreasing. Thus, our particular focus is on migrants from China's rural sector. Deregulation of the Chinese labor market represented a significant increase in opportunity for a particularly type of rural-urban migrant (Nonmingong). While these migrants have enjoyed increased job opportunity, have they achieved any change in social status? To answer this question, the project organizer conducted intensive interviews of migrants from rural China.

One sample pool was a manufacturing company with Japanese investors, located in Shenzhen, Guangdong Province. Shenzhen, as one of first special economic zones in China to be "opened," employs a substantial number of migrant workers. The project organizer interviewed line workers, skilled workers, managers and the other support staff of the selected manufacturing company. The main findings are as follows; first, the company has employed this level of workers and staff for more than 10 years. Second, some of the workers achieved upward mobility through employment. Thirdly, the way of settlement by the migrants in Shenzhen differs from that of local citizens. Furthermore, among the migrants, several settlement patterns exist.

The second research location was Beijing. The project organizer conducted several interviews of white collar employees of private and foreign companies. From these cases, we were able to identify several patterns by which migrants realized social mobility within rigid institutional arrangements.

### 70. Microcredit Field Experiments: Loan Maturity and Group Lending

**Organizer:** Hisaki Kono

Contrary to the objective of microcredit to "free poor people from loan shark debts," some research finds that participation in microcredit actually increases the debt of money lenders. This research project focuses potential of short-term microcredit loans to increase individuals' debt. The duration of most microcredit schemes is no more than 1 year and borrowers have to make weekly payments. The shorter duration means larger weekly installments. If poor individuals make medium- or long-term investments (such as buffalo, cows, and goats) with a long payback period, it may be a rational choice for them to borrow both from microcredit and money lenders; the latter, while requiring higher interest rates, allow borrowers make interest-only payments in the first year, which helps individuals smooth payments over time. This year I refined an economic model which explains the relationship between loan duration, rates of dependency on money lenders, and low income. This model will be tested empirically by utilizing household data.

In addition, this research project examines the advantages and disadvantages of group lending over individual lending, which are the two major lending schemes of microcredit. I constructed a repeated game model of group lending and individual lending in order to capture the community enforcement.

Further, albeit increasing attention has been paid to microinsurance schemes, most of these programs suffer from low uptake rates. In order to understand the role of probability weighting and the availability of informal insurance, I conducted a framed field experiment in Vietnam, the data from which will be analyzed in the next fiscal year.

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

**Organizer:** Michikazu Kojima

This joint research project, started in October, 2008, was conducted by Chung Sungwoo, research fellow at the Japan Society for the Promotion of Science (JSPS), and Kojima Michikazu, and expert on Reduce, Reuse, Recycle (3R) policy in Asia.

At present, there is active international reuse or recycling of secondhand and waste household electrical and electronic equipment (WEEE) in the Asian region. This brings with it not only the merit of more efficient resource use but also the demerit of increased likelihood of environmental pollution as a result of improper recycling practices in importing countries.

With respect to circulation of WEEE in Asia, “the Basel Convention,” which restricts the trans-national movement of hazardous wastes, fulfills a limited role due to the unclear handling of secondary goods and complications related to import and export procedures.

Furthermore, the Basel Convention does not adequately deal with problems caused by international reuse or recycle of secondhand and WEEE because the resulting domestic regulations focus mainly domestic waste issues such as the shortage of landfill sites.

In this context, the aim of this project is to formulate recommendations for policies related to WEEE management from the perspective of EPR (Extended Producer Responsibility), which emphasizes the manufacturers’ role in WEEE management.

To this end, first, we first compared the experiences of countries/areas such as Japan, Taiwan, and Korea, which have implemented EPR-based policies. Next, we comprehensively assessed the applicability of EPR in countries which have not adopted EPR policy by investigating the state of WEEE management in these countries and the trans-national movement of WEEE in Asia. The findings from this study were presented at the 10th International Symposium on East Asian Resources Recycling Technology (EARTH), held in Jeju, Korea, in 2009, as well as at other events.

**Co-Researcher:** Sungwoo Chung (JSPS Research Fellow)

## 72. International Migration of Nurses and its Impact on the Health System of the Sending Countries—Case Studies of the Philippines, South Africa, Ghana and Zimbabwe

**Organizer:** Chizuko Sato

From the late 1990s to the mid-2000s, international migration of nurses from developing countries to industrialized countries increased dramatically. One of the major destination countries was the UK, which had initiated a large scale recruitment of foreign nurses in order to expand the workforce of its National Health Service. The objective of this study is to describe the scale and general trend of nurse migration from four source countries (the Philippines, South Africa, Ghana and Zimbabwe) to the UK and other destination countries in the past 20 years and to examine the impact of rapid expansion of the international market for nurses on the health care systems of these four source countries. In the FY 2010, I investigated the case of Ghana, exploring the following two questions: (1) whether the rapid expansion of international market for nurses accelerated

the problem of “brain drain” and exacerbated the shortage of nurses in Ghana, and (2) if so, what was the response of the Ghanaian government to address these issues. The findings of this investigation are summarized as follows: (a) the emigration of the Ghanaian nurses to the UK increased starting in the late 1990s, peaked during 2002-2004, but has declined since; (b) the massive exodus of nurses to the UK in the early 2000s caused a serious shortage of nurses in Ghana, particularly in the large hospitals in urban areas such as Accra; (c) in response, the Ghanaian government increased annual enrolments at nursing schools and expanded the education of lower cadres of health workers such as community health nurses; (d) since the mid-2000s, the UK policy of recruiting foreign nurses has changed dramatically, resulting in a decrease in the emigration of Ghanaian nurses; (e) as a result, the major human resource challenge in the health care faced by the Ghanaian government is no longer a shortage of nurses, but, rather, how to create job opportunities for the increasing number of nursing graduates while maintaining the existing salary structure for the current nursing workforce in Ghana.