



Messages from the Chairman and the President

“We are continuing to function in fostering communication between the study rooms of policy research and the offices of policy implementation.”

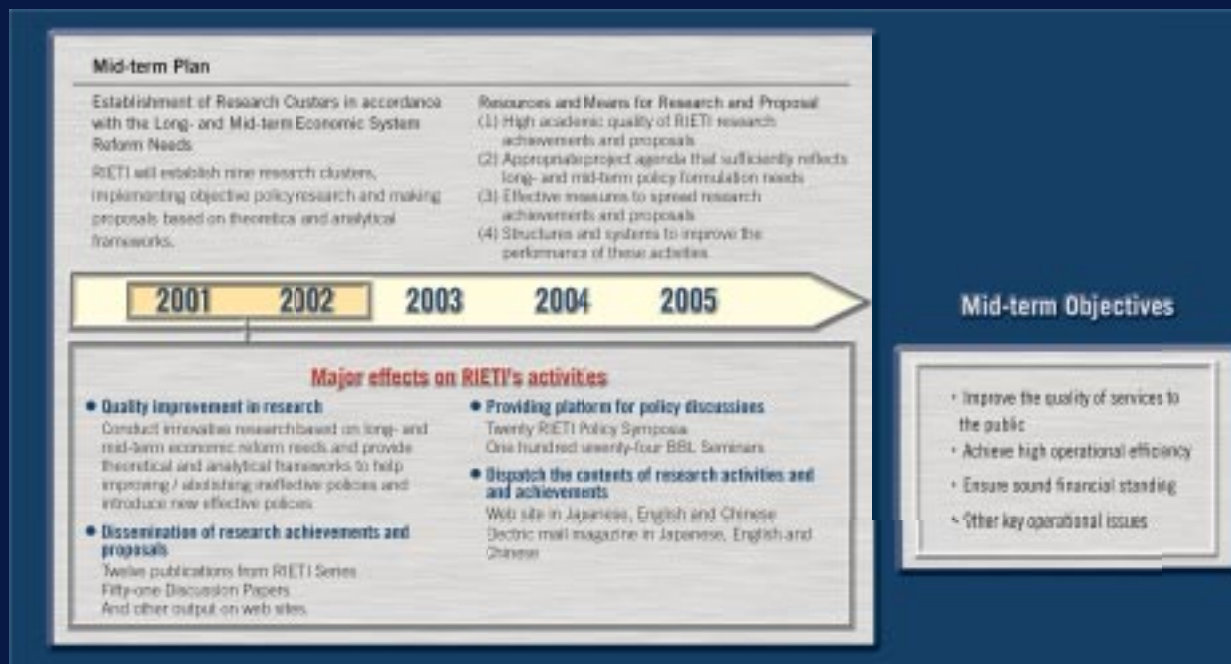
Chairman
Sozaburo Okamatsu

Q1 Tell us about the establishment of RIETI.

Chairman Okamatsu: RIETI was established in April 2001, following the launch of a newly-created type of organization—the “incorporated administrative agency.” Since most social science research centers at that time were still under the management of their respective ministries and agencies, it was a bold decision for the Ministry of Economy, Trade and Industry (METI) to let its own research center become an incorporated administrative agency. The purpose of RIETI’s foundation lies in conducting broad, independent activities that venture beyond traditional administrative restrictions. On the other hand, it is important to note that by remaining in Kasumigaseki, RIETI has taken advantage of its location by performing policy research at the very heart of Japan’s policymaking center. Upon the launch of RIETI, the selection of Professor Aoki as its President to oversee the Institute’s research activities was of course crucial, and I believe that RIETI’s present success owes much to his guidance and leadership.

Q2 What are the fundamental objectives and scope of RIETI’s activities?

President Aoki: RIETI’s midterm goal is to produce policy research and policy proposals that cannot be made by conventional administrative organizations.



Since RIETI relies financially on operational grants from the government, it has an obligation to provide research for the public that is relevant, of a high-standard, and unbiased. In order to maintain neutral, non-partisan research and policy proposals, the fundamental principal at RIETI is for researchers to take full responsibility for their own work. If the whole institute were to try and formulate research as a body, it would lack bite and the substance would be sacrificed for political considerations. Yet, on the other hand, it is necessary to make full use of the synergistic effect of RIETI's unique organizational structure.

We recruit far and wide—not necessarily remaining limited to well-known names—for outstanding Japanese and foreign researchers from each of the three fields represented by RIETI's logo: “public sector,” “private sector” and “academia.”

When their financial base is unsound, constraints impose themselves on research centers which have no option but to follow fashionable policy themes in order to receive funding. One merit of an incorporated administrative agency is that it is freed from such restrictions. This makes it all the more important to never forget RIETI's primary goal of giving something back to the taxpayer in the long term.

Q3 In the two years since RIETI's foundation, what has been achieved and how are these achievements evaluated?

Chairman Okamatsu: In the first year, an overall evaluation from the Incorporated Administrative Agency Evaluation Committee awarded RIETI an A, on a scale of A to D. However, owing to the fact that not only RIETI, but also the Evaluation Committee was still testing the water through trial and error, this result must be taken with a pinch of salt. In the second year, although we are still to be officially informed of the result, the Committee awarded RIETI the second best rating of A+, with AA being the best. In particular, our efforts in disseminating RIETI's research via publications and the Internet received high evaluation.

In this coming third year, which marks the midpoint in our five-year term objectives, I am confident that we are steadily passing a milestone. Although we might not be 100% content with what has been achieved so far, researchers are making progress in each of their fields, and we are continuing to function in fostering communication between the study rooms of policy research and the offices of policy implementation. As we cross this turning point, we need to consider how we are going to complete RIETI's five-year mission.

Q4 What is President Aoki's evaluation of the second year?

President Aoki: Since RIETI's inception, books such as those in the Economic Policy Analysis Series and the Economic Policy Review Series, along with the Japanese, English and Chinese web sites, which can respond timely to the changing tide of current issues, have been effectively utilized in disseminating our research activities and achievements. Moreover, we have been holding frequent lunch-time seminars to transplant to Japan, Washington's custom of lively and unofficial policy debate widely recognized as Brown Bag Lunch (BBL). By inviting researchers connected to and unconnected with RIETI, entrepreneurs and administrators as guest speakers, lively discussions have been held among policymakers, researchers, journalists and diplomats alike.

Through this kind of information dissemination, the visibility of RIETI is improving. International acknowledgment of RIETI in Washington and Peking is rising rapidly. This is the effect of choosing to be an incorporated administrative agency which is neither a public nor a private organization. Our success has been helped by making full use of information technology and inviting and employing foreign researchers, as well as the practice of not

only recruiting public officials but also capable personnel from outside the market. One of the greatest merits of a non-civil servant-based incorporated administrative agency is its flexibility.

Q5 In concrete terms, how do you plan to respond to the external evaluation?

Chairman Okamatsu: The most crucial task for RIETI is to improve the quality of the service we provide to the general public. Therefore, the linking of research results with public service is of the utmost importance. Various endeavors have been made to make our business administration more efficient, but outsourcing is not being considered. Our goal is to let internal staff, with their abundant specialist knowledge, take charge of efficiently managing RIETI, while simultaneously striving for even greater streamlining and reduction of expenses.

There are three accounting standards which incorporated administrative agencies follow: a percentage-of-completion method, based on term; a percentage-of-completion method, based on expenditure; and a percentage-of-completion method, based on results accomplished. RIETI adopted the percentage-of-completion method, based on expenditure during its first two years. Then from the start



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of fiscal 2003, we began to adopt the percentage-of-completion method based on results accomplished in our research so that if our efforts in each research project result in lower expenses than what was originally budgeted, we can record a profit and incentives will increase. The remainder will then be evaluated differently. RIETI is the only incorporated administrative agency of METI that has changed to this percentage-of-completion method based on achievements and this move was praised greatly by the evaluation committee.

Q6 What were RIETI’s research activities in 2002, and what were the results?

President Aoki: The selection of research themes is central to improving the quality of research.

Under the prolonging recession, we obtained promising results in research on: employment mobility, industry revitalization, the disposal of nonperforming loans, development of information technology, and reform of the industry and information systems in line with economic structural change. I strongly believe that we had a great effect on issues related to university-industry cooperation and university reform. Also, on the subject of the “Chinese economic threat,” which had an over-

whelming influence throughout Japan, we provided a basis for calm debate founded on the theory of the complementary nature of both economies given the different stages of economic development of Japan and China.

Chairman Okamoto: As part of our regime, we hold Research Seminars every week where researchers make presentations chiefly for the benefit of RIETI fellows. In these seminars, researchers who specialize in different fields actively exchange opinions thus improving the quality of research results. On the other hand, at our symposia, which are a place for the broad dissemination of results, we provide ample time for open discussions, and question and answer sessions. Furthermore, questionnaires completed by participants provide feedback for our fellows enabling improved planning of symposia, as well as imparting reflections on their research. This two-way flow is a vital element of policy research.

Q7 What tasks face RIETI research activities in the future?

President Aoki: Standing as we are on the verge of economic globalization, future research themes will likely emphasize the rising importance of Asian economic integration. In the case of the Asian



economy, mutual exchange of direct investment and integration of the consumer market will, unlike the case of the EU and Europe, precede political integration. We would like to provide an active framework for maintaining a constant connection with Asian researchers and administrative officers which promotes exchange. We are also continuing to conduct research on a long-term solution to fiscal deficit through a diverse approach combining public finance, politics, information and incentive economics. Research is also being conducted which makes use of RIETI's ability to cross fields, including "the effective use of public libraries to assist start-up businesses" and "Japan's software industry—games and animation—and the policies affecting it."

In order to respond to the rapidly-changing world, a flexible research system which can create policy both promptly and timely is called for—in short, mobility of researchers. However, such mobility of researchers cannot be realized by RIETI alone, and to do so we need to work in close connection, cooperation, and competition with other organizations in the policy market.

Q8 What is the ideal vision to which RIETI, as an institute, is aspiring?

Chairman Okamatsu: As I mentioned earlier, as the only incorporated administrative agency in Kasumigaseki which is a social science research institute, the first step is to become the representative policy research think tank for Kasumigaseki.

However, our intention is not to stop there but to become one of the best think tanks representing Japan by expanding our already well-grounded international network.

In order to do so, we need to recruit first-rate, full-time researchers domestically and from abroad. In addition, through seeking part-time faculty fellows from universities and consulting fellows from administrative institutions, by utilizing the merits of our location—in Kasumigaseki—and through the synergy of our interaction with policy planning and enforcement agencies, we will formulate better policy research and proposals. To this end, we provide the very best environment for both soft and hard research agenda while providing the cream of supporting staff in each specialized field. RIETI's aim is to assertively present and propose the results of its research to the public at large, and by helping each other grow and develop as an organization.

(right) *Chairman* Sozaburo Okamatsu

(left) *President and Chief Research Officer* Masahiko Aoki

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