

Major Policy Research Domains

I .Maintaining Economic Dynamism under the Adverse Demographic Conditions of Low Fertility and Aging Population

II .Promoting Innovation and Strengthening International Competitiveness

III . Formulating Japan's Strategy in Response to Globalization and Deepening Economic Interdependence in Asia

IV .Compilation of the History of Japan's Trade and Industry Policy

Adjacent Basic Research Areas

A. Institutions Related to Financial and Labor Markets, and New Corporate Law and Governance

B. Regulatory Reforms and Evaluation Frameworks for Deregulation

C. Compilation of Micro Panel Data of Firm Activities, Trade, Energy, and the Elderly; and Model Building and Operation

The Ministry of Economy, Trade and Industry (METI) has identified Major Policy Research Domains for which RIETI should continually carry out research through the second mid-term period (FY2006-2010). Furthermore, RIETI is conducting its research in the Adjacent Basic Research Areas in which RIETI can choose newly emerging relevant policy issues from a medium- to long-term perspective in a more timely and flexible manner by responding to changes in socioeconomic conditions.

Notes: The following pages list main research projects. Fellow's titles are applicable for FY2008.

Most research results shown in the following pages are downloadable from RIETI's website.

Abbreviations are on the reverse of the front cover.

List of Research Projects

Policy Research Domain I "Maintaining Economic Dynamism under the Adverse Demographic Conditions of Low Fertility and Aging Population"		
Project Title	Project Leader/Sub-Leader	Page
I-1) Economic Growth under Conditions of Low Fertility and Aging Population	YOSHIKAWA Hiroshi, RC & FF / OKAZAKI Tetsuji, FF	6
I-2) Building a New Macroeconomic Model and Policies in Times of Economic Crisis	KOBAYASHI Keiichiro, SF	6
I-3) Empirical Analyses Relating to IT and Productivity	MOTOHASHI Kazuyuki, FF / MATSUURA Toshiyuki, F	7
I-4) Toward a Comprehensive Resolution of Social Security Problems: A New Economics of Aging	ICHIMURA Hidehiko, FF / SHIMIZUTANI Satoshi, CF	7
I-5) Idiosyncratic Risk and Economic Fluctuations	NAKAJIMA Tomoyuki, FF	8
I-6) Stabilization Policy under Market Incompleteness	NAKAJIMA Tomoyuki, FF	8
I-7) International Comparison of Measures to Improve Work-Life Balance and Consideration of Challenges Facing Japanese Companies	TAKEISHI Emiko, FF	8
I-8) Macroeconomic and Fiscal Simulation Analysis toward a Sustainable Public Pension System	NAKATA Daigo, F	8

Policy Research Domain II "Promoting Innovation and Strengthening International Competitiveness"		
Project Title	Project Leader/Sub-Leader	Page
II-1) The Structural Characteristics of Research and Development by Japanese Companies, and Issues for the Future	NAGAOKA Sadao, RC & FF	9
II-2) Organizational and Strategic Challenges for R&D Internationalization of Japanese Firms: A Managerial Approach	ASAKAWA Kazuhiro, FF	9
II-3) Productivity of Companies and Industries, and Japan's Economic Growth	FUKAO Kyoji, FF	10
II-4) Japan's Productivity and Economic Growth: International Comparison and Analysis of Determinants of Productivity Growth	FUKAO Kyoji, FF	10
II-5) An Integrated Approach to the Raising of Productivity at the Macro, Industry, and Company Levels	NISHIYAMA Yoshihiko, FF / ICHIMURA Hidehiko, FF	10
II-6) An Empirical Analysis on the Increasing Complexity of Artifacts, Design Processes and Product Architectures	FUJIMOTO Takahiro, FF / OSHIKA Takashi, FF	10
II-7) Investigation and Research on Innovation Processes in Semiconductor Industries—Case Study and Analysis of Electron Microscopies, Resist and Packaging Technologies	CHUMA Hiroyuki, FF	11
II-8) Empirical Research into Software Innovation	TANAKA Tatsuo, FF / SUZUKI Jun, FF	11
II-9) The Desirable Form of Future Pro-Patent Policy	KIYOKAWA Yutaka, SF	11
II-10) Study on Industrial Clusters (joint research with Kyoto University)	KODAMA Toshihiro, Professor, Institute of Economic Research, Kyoto University	12
II-11) Studies on Intangible Assets in Japan	MIYAGAWA Tsutomu, FF	12
II-12) Research on Productivity Growth in Service Industries	Hyeog Ug KWON, FF / MATSUURA Toshiyuki, F	13
II-13) Construction of Eco-System for the Creation, Growth and Agglomeration of New Technology-Based Firms (NTBFs)	NISHIZAWA Akio, FF	13
II-14) Service Differentiation and Productivity: Productivity Analysis Based on a Monopolistic Competition Model	KATO Atsuyuki, F	13
II-15) Micro Econometric Analysis of Performance in the Beauty Industry	KONISHI Yoko, F	14
II-16) Exploring New Economic Indicators based on Multi-Tiered Network Analysis Indicators	TAMADA Schumpeter, FF	14

Policy Research Domain III "Formulating Japan's Strategy in Response to Globalization and Deepening Economic Interdependence in Asia"		
Project Title	Project Leader/Sub-Leader	Page
III-1) Research on Changes in Multinational Corporations, Trade Structures, and Market Institutions	WAKASUGI Ryuhei, RC & FF	15
III-2) Comprehensive Study on the WTO Regulations on Subsidies	KAWASE Tsuyoshi, FF	15
III-3) Promoting East Asian Production Networks, the Unwinding of Global Imbalances, and the Resolution of the Economic Crisis	Willem THORBECKE, SF	16
III-4) The Foreign Aid Governance	SAWADA Yasuyuki, FF	16
III-5) Financial Cooperation in Asia and the Optimal Currency Basket	ITO Takatoshi, FF / OGAWA Eiji, FF	17
III-6) Trade, the Environment, and Food Safety	JINJI Naoto, FF	17
III-7) FTA Study	URATA Shujiro, FF	17
III-8) The Rise of China and the Transformation of the East Asian Regional Order	SHIRAIISHI Takashi, FF	18
III-9) The Desirable Form of Legal Protection for Overseas Investments	KOTERA Akira, FF / MATSUMOTO Kayo, F	18
III-10) Trade Agreements and Tax Systems	KOTERA Akira, FF / MATSUMOTO Kayo, F	19
III-11) Study on International Strategies for Improving Productivity in the Context of Economic Globalization	SHIRAIISHI Shigeaki, SF	19
III-12) Empirical Studies on Trade Policies and Firm Behavior	OHASHI Hiroshi, FF	19
III-13) Study on Offshore Outsourcing by Japanese Firms	TOMUIRA Eiichi, FF	19
III-14) Study on International Trade and Firms	WAKASUGI Ryuhei, RC & FF / TODO Yasuyuki, FF	20
III-15) Changes in the Order among Big Powers and Japanese Diplomatic Agenda	NAKANISHI Hiroshi, FF	20

III-16) The Environment and Trade	YAMASHITA Kazuhito, SF	21
III-17) Study on Business Strategy and Rules for Globalization in the Energy Business Sector	SHIRAIISHI Shigeaki, SF	21
III-18) Study of the U.S. Foreign and Security Policy under the Obama Administration	KUBO Fumiaki, FF	21
III-19) Research on the Globalization of Corporate Activities and Development of Economic and Industrial Structure (joint research with Kyoto University)	YASHIRO Naomitsu, CF	21
III-20) Examination of Investments in China by Japanese Firms	SHIBOTA Atsuo, SF	22

**Policy Research Domain IV
"Compilation of the History of Japan's Trade and Industry Policy"**

Project Title	Project Leader/Sub-Leader	Page
IV-1) Compilation of the History of Japan's Trade and Industry Policy	ODAKA Konosuke, Editor in Chief, HJTIP	23

**Adjacent Basic Research Area A
"Institutions Related to Financial and Labor Markets, and New Corporate Law and Governance"**

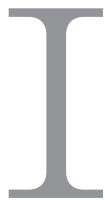
Project Title	Project Leader/Sub-Leader	Page
A-1) Study Group on Changes in Financial and Industrial Structures	WATANABE Tsutomu, FF / UESUGI Iichiro, CF	24
A-2) Empirical Analysis of Japan's Labor Market: Policy Responses to Fertility Decline and Population Aging	KAWAGUCHI Daiji, FF	25
A-3) Economic Analysis of Organizations and Institutions: The Design of Organizations and Institutions to Enhance Corporate Performance and Growth	TSURU Kotaro, SF	25
A-4) Research into Measures to Provide Efficient Public Services by Means of Government and Private-Sector Collaboration, Premised on Small Government	YAMAUCHI Naoto, FF / MORIYAMA Hiromichi, CF	25
A-5) The Frontier of Corporate Governance Analysis: Economic Analysis of M&A and Corporate Governance	MIYAJIMA Hideaki, FF	26
A-6) Changes in the Socioeconomic Structure and Tax Reform	IWAMOTO Yasushi, FF / HASHIMOTO Kyoji, FF	26
A-7) Reform of Labor Market Institutions	TSURU Kotaro, SF	27
A-8) Research on Sustainable Regional Economic Systems	NAKAMURA Ryohei, FF	28
A-9) Study of a Self-Supporting Regional Economic System	NAKAMURA Ryohei, FF	28
A-10) The "Enterprise Law" as an Infrastructure for the Incentive Bargain of the Firm	SHISHIDO Zenichi, FF	29
A-11) Universities of the Future from Social and Economic Perspectives	TAMAI Katsuya, FF / AKAI Nobuo, FF	29
A-12) Study of Entrepreneurs and Latent Entrepreneurs	YASUDA Takehiko, FF	30
A-13) Theoretical Analysis of Policies toward Global Warming under Open Economies	ISHIKAWA Jota, FF	30
A-14) The Design of an International Institution to Prevent Global Warming	FURUSAWA Taiji, FF	30
A-15) Empirical and Internationally Comparative Institutional Analysis of the Forms of Administrative and Financial Systems for Utilizing Infrastructure Assets to Invigorate Local Economies in an Era of Decentralization and International Competition: A Study of the Administrative and Financial Systems and Governance Systems in Operation at Local Ports and Harbors	AKAI Nobuo, FF	31
A-16) Globalization, Innovation, and Competition Policy	KAWAHAMA Noboru, FF / OHASHI Hiroshi, FF & NISHIGAKI Atsuko, SF	31
A-17) Supply of Risk Capital in Japan and Related Policy Issues	MURAMOTO Tsutomu, FF / YOSHINO Naoyuki, FF	31

**Adjacent Basic Research Area B
"Regulatory Reforms and Evaluation Frameworks for Deregulation"**

Project Title	Project Leader/Sub-Leader	Page
B-1) Economic Analysis of Markets and Networks in Electricity Power Reform	HATTA Tatsuo, FF / TANAKA Makoto, FF	32
B-2) Simulation Models for Policy Evaluation	KANEMOTO Yoshitsugu, FF	32
B-3) Background and Impact of the Surge in Oil Prices in Recent Years	HASEGAWA Eiichi, SF	32
B-4) Consumer Policy and Market Norms	TANI Midori, SF	33
B-5) Searching for Optimal Level of Copyright Protection	TANAKA Tatsuo, FF	33
B-6) Economic Analysis of Resource Management in the Fisheries Industry	TAKARADA Yasuhiro, FF / MANAGI Shunsuke, FF	33
B-7) Progress in the Introduction of Nuclear Power Generation in East Asia and the Current Situation and Challenges in International Cooperation for Ensuring Nuclear Safety	SAGARA Nozomi, SF	33

**Adjacent Basic Research Area C
"Compilation of Micro Panel Data on Firm Activities, Trade, Energy, and the Elderly; and Model Building and Operation"**

Project Title	Project Leader/Sub-Leader	Page
C-1) Building of GCE Model for East Asia that Introduces Economies of Scale	BAN Kanemi, FF / HISATAKE Masato, CF	34
C-2) Development of Support Systems for Economic and Industrial Policy Analysis and Evaluation	KAINOU Kazunari, F	34
C-3) RIETI Data Management Project	KONISHI Yoko, F	34



Maintaining Economic Dynamism under the Adverse Demographic Conditions of Low Fertility and Aging Population

Japan is faced with a challenging task of achieving sustainable economic growth at a time of unparalleled low fertility and aging population. In order to help policymakers meet this challenge, RIETI will undertake comprehensive and integrated research on means of promoting structural change in the economy; increasing labor force participation rates of women, the elderly and young people; increasing productivity of both labor and capital; identifying a social security system that can secure an optimal intergenerational and intra-generational balance of benefits and contributions under the public pension system; and designing effective fiscal policy and restoring the nation's fiscal balance.

Introduction of Research Projects

I-1) Economic Growth under Conditions of Low Fertility and Aging Population

Project Leader / Sub-Leader: YOSHIKAWA Hiroshi, RC & FF / OKAZAKI Tetsuji, FF

<Overview>

To maintain Japan's economic vitality in the face of low fertility and aging population, it will be necessary to undertake comprehensive research on improving productivity and promoting technological innovation. Based on a keen awareness of such policy issues, this project is to analyze the mechanisms of economic growth from various angles. While existing studies of economic growth tend to be centered on Total Factor Productivity (TFP), this project will take in a broader range of themes from both experimental and peripheral studies. The project will also research the role of product innovation, an area with few prior empirical studies.

<Major Research Results>

Discussion Paper

- Why the Female Labor Force Participation Rate in Metropolitan Areas is Low: A Reexamination of the Current Situation and of the Issues (HASHIMOTO Yuki and MIYAGAWA Shuko) (DP No.:08-J-043)
- The Impact of Deregulation in the Retail Sector: Implications for the Aging Society (UNAYAMA Takashi and KEIDA Masayuki) (DP No.:08-J-047)
- The Decline in Capital Utilization and TFP in the 1990s (MIYAZAWA Kensuke) (DP No.:08-J-054)
- The Impact of Expectations of the Transfer of Agricultural Land to Other Uses on the Management Scale and Productivity of Rice Cultivation (SAITO Keiji and OHASHI Hiroshi) (DP No.:08-J-059)
- Industrial Development, Firm Dynamics and Patterns of Productivity Growth: The Case of the Cotton-Spinning Industry in Prewar Japan, 1894-1924 (OKAZAKI Tetsuji) (DP No.:08-E-021)
- Corporate Investment and Uncertainty—An Empirical Analysis (SHINADA Naoki) (DP No.:08-E-033)
- Productivity Dispersion: Facts, Theory, and Implications (AOYAMA Hideaki, YOSHIKAWA Hiroshi, IYETOMI Hiroshi and FUJIWARA Yoshi) (DP No.:08-E-035)

I-2) Building a New Macroeconomic Model and Policies in Times of Economic Crisis

Project Leader: KOBAYASHI Keiichiro, SF

<Overview>

The purpose of this project is to develop a quantitative business-cycle model (macroeconomic model) for analyzing macroeconomic policies during a global financial crisis. The financial system, asset-based lending and other financial factors will be explicitly contained in the model. This model will be used in running simulations with an aim to contribute to the evaluation of macroeconomic policies. New attempts will also be made in the area of theoretical development. Specifically, search models and models containing market imperfection will be used in developing a new general equilibrium model for analyzing the impact of macro-stabilization policies. Furthermore, the project will consider Business Cycle Accounting (BCA), which it has been developing since fiscal 2005. To improve the usefulness of BCA, research will be conducted on the limitations of analytical methodology of BCA and possible ways for overcoming them. The post-Cold War pattern of global economic growth may be described as having derived its locomotive power from the financial sector-led U.S. economy that has consistently functioned as the "final consumer." But with the collapse of this pattern, global economic management will probably undergo major changes now in both practical and conceptual terms. In this context of change, this project will undertake broadly based studies and research on such issues as the future structures of global economic growth, the role of the East Asian region in this framework, and desirable directions in Japan's future economic and industrial structures.

<Major Research Results>

Discussion Paper

- On Equivalence Results in Business Cycle Accounting (NUTAHARA Kengo and INABA Masaru) (DP No.:08-E-015)
- Nominal Rigidities, News-Driven Business Cycles, and Monetary Policy (KOBAYASHI Keiichiro and NUTAHARA Kengo) (DP No.:08-E-018)
- Monetization of Public Goods Provision—A Possible Solution for the Free-Rider Problem (KOBAYASHI Keiichiro and NAKAJIMA Tomoyuki) (DP No.:08-E-019)

Policy Discussion Paper

- An International Comparison of Risk Management Policies—A New Debate on Economic Policies in Risk Handling (MORIKAWA Masayuki) (PDP No.:08-P-002)

CEPR-RIETI Workshop

"Labor Markets and the Macroeconomy: Theory, Evidence and Policy Implications" (2008/12/19)

Introduction of Research Projects

I-3) Empirical Analyses Relating to IT and Productivity

Project Leader / Sub-Leader: MOTOHASHI Kazuyuki, FF / MATSUURA Toshiyuki, F

<Overview>

To maintain economic vitality under conditions of low fertility and an aging population, Japan needs to achieve economic growth based on productivity growth. As the first step, it is important to conduct empirical analysis of the determinants of Total Factor Productivity (TFP). In this project, IT innovation is treated as a core factor among TFP determinants and empirical analysis is conducted, including international comparisons between Japan and the U.S. and Asian countries. Although Japanese firms have been actively investing in IT since the second half of the 1990s, it is reported that these investments have only had a limited impact on productivity. IT is utilized in a broad range of industries, particularly in the non-manufacturing sector, where IT constitutes a critically important complementary technology to the realization of business innovations. Therefore, promoting the effective use of IT can be expected to have a significant impact on macro-level developments in TFP. This project separates the affiliation between IT and productivity seen at the macro level into IT sector based innovation and IT enhanced productivity improvement and conducts an empirical analysis respectively.

<Major Research Results>Discussion Paper

- ▶ How Does FDI in East Asia Affect Performance at Home?: Evidence from Electrical Machinery Manufacturing Firms (MATSUURA Toshiyuki, MOTOHASHI Kazuyuki and HAYAKAWA Kazunobu) (DP No.:08-J-049/08-E-034)
- ▶ The Software Industry's Multilayered Subcontracting Structure: Empirical Analysis of Innovation and Productivity (MINETAKI Kazunori and MOTOHASHI Kazuyuki) (DP No.:09-J-002)
- ▶ Impact of the Debt Ratio on Firm Investment: A Case Study of Listed Companies in China (Yuan YUAN and MOTOHASHI Kazuyuki) (DP No.:08-E-011)
- ▶ Technology Spillovers from Multinationals to Local Firms: Evidence from Automobile and Electronics Firms in China (MOTOHASHI Kazuyuki and Yuan YUAN) (DP No.:09-E-005)
- ▶ IT, R&D and Productivity of Chinese Manufacturing Firms (MOTOHASHI Kazuyuki and Yuan YUAN) (DP No.:09-E-007)

OECD-METI-RIETI Conference

"Innovation in the Software Sector" (2008/10/06)

I-4) Toward a Comprehensive Resolution of Social Security Problems: A New Economics of Aging

Project Leader / Sub-Leader: ICHIMURA Hidehiko, FF / SHIMIZUTANI Satoshi, CF

<Overview>

As Japan experiences the aging of its society at a pace unprecedented worldwide, it is essential to build a sustainable social security system that ensures that the elderly do not suffer a decline in quality of life. Our research transcends the bounds of the traditional field-specific approach that addresses the health care, long-term care, and pension fields separately, and of simulation analysis with the use of macro models, and instead adopts a "new" microscopic yet comprehensive, market-oriented approach that is premised on the diversity of the elderly. Based on pilot studies already conducted in previous years, and with the intellectual support of the analogous studies of the elderly (the U.S. HRS [Health and Retirement Study], ELSA [English Longitudinal Study of Ageing] in the UK, and SHARE [Survey of Health, Ageing and Retirement in Europe] in Continental Europe), our research has inaugurated a world-standard panel study on population aged over 50. We are gathering data that is both multi-faceted, covering such aspects as health condition, economic situation, family relationships, employment status, and social participation, and that is also capable of international comparison. Our intention in doing this is to help ensure that "evidence-based policy-making" based on an abundance of microdata becomes an established feature in the sphere of social security policy in Japan, and that Japan's experience can be taken advantage of by other countries in their policy-making.



I-2) Building a New Macroeconomic Model and Policies in Times of Economic Crisis
CEPR-RIETI Workshop
"Labor Markets and the Macroeconomy: Theory, Evidence and Policy Implications" (2008/12/19)



I-3) Empirical Analyses Relating to IT and Productivity
OECD-METI-RIETI Conference
"Innovation in the Software Sector" (2008/10/06)

I-5) Idiosyncratic Risk and Economic Fluctuations

Project Leader: NAKAJIMA Tomoyuki, FF

<Overview>

Two types of risks exist in the economy. One is aggregate risk, which affects the entire economy, and the other is idiosyncratic risk that individual economic agents face. Because they can be fully insured, idiosyncratic risks do not pose a problem in the perfect financial market. However, in imperfect financial markets, idiosyncratic risks are significant factors that have to be taken into account in macroeconomic policies. The so-called “disparity problem” can be viewed as an issue generated by idiosyncratic risks in imperfect financial markets. The purpose of this project is to undertake theoretical and quantitative analysis of desirable macroeconomic policies in an environment where idiosyncratic risks exist.

I-6) Stabilization Policy under Market Incompleteness

Project Leader: NAKAJIMA Tomoyuki, FF

<Overview>

As the global financial crisis persists, the gap in income and wage differentials in Japan and other countries continues to expand. While the labor system constitutes an important issue in income disparity, from a macroeconomic perspective, “market incompleteness” is also thought to be a major cause in the increasing disparity. This project examines how market incompleteness affects overall business conditions (through inefficiency in the labor markets) and considers the possibility that macroeconomic policies (stabilization policies) under conditions of market incompleteness can have a greater impact than previously assumed.

I-7) International Comparison of Measures to Improve Work-Life Balance and Consideration of Challenges Facing Japanese Companies

Project Leader: TAKEISHI Emiko, FF

<Overview>

While firms have an important role to play in the realization of work-life balance (WLB) in Japan, the actual introduction of WLB-related measures by firms entails various problems and challenges. The purpose of this project is to examine these problems and consider the means necessary to facilitate the introduction of these measures. Specifically, the following matters will be examined:

- (1) Analysis of the cost-benefit structure of the introduction of WLB-related measures by firms;
- (2) Operational problems facing firms when introducing WLB-related measures and possible solutions; and
- (3) Challenges affecting initiatives for the establishment of WLB-related measures in the workplace and harmonization of work and life and the possible solutions.

The project will conduct an empirical analysis and evaluation of current conditions based on questionnaire surveys and hearings from firms and workplaces, while also referring to the corresponding systems and measures in various foreign countries. Having identified the relevant problems and challenges, the project will then attempt to develop necessary policy recommendations.

I-8) Macroeconomic and Fiscal Simulation Analysis toward a Sustainable Public Pension System

Project Leader: NAKATA Daigo, F

<Overview>

The Japanese public pension system was revised in 2004, but this did not eliminate the public’s skepticism concerning the sustainability of the system. Likewise, there has been no sign of any improvement in the public’s faith in other social security systems, such as health and nursing care. One of the reasons for this is, the lack of public confidence in the financial projections for social security finance that are based on simulations of pension finances conducted by the Ministry of Health, Labour and Welfare. Lack of confidence has been augmented by limited opportunities to verify the Ministry’s projections and run additional simulations based on different sets of assumptions. The purpose of this project is to examine the following three points, using an expanded version of the simulation model for pension finance (RIETI model) developed by the project leader:

- (1) Pension finance simulation analysis based on assumptions that are consistent with a general equilibrium approach;
- (2) Estimation of the base rate using microdata, and application of the base rate in re-evaluating proposals for the integration of pension systems; and
- (3) Development of a simulation model for very long-term projections of finances for pensions, health and nursing care.

<Major Research Results>

Discussion Paper

- Effects of Longevity on Pension Finances (NAKATA Daigo and HASUMI Ryo) (DP No.:09-J-004)

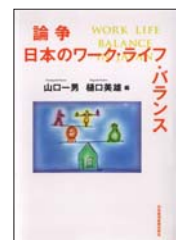
Other Research Results in Domain I

Discussion Paper

- Overemployment: The Structure, Determinants, and Countermeasures of Involuntarily Long Work Hours (YAMAGUCHI Kazuo) (DP No.:08-J-051)

Publications

Debates; Work-life Balance in Japan, written and edited by YAMAGUCHI Kazuo and HIGUCHI Yoshio, Nikkei Publishing Inc., April 2008



II

Promoting Innovation and Strengthening International Competitiveness

Continuous innovation is vital for strengthening the international competitiveness of Japanese companies. However, the effects of innovation and the policies that promote it are extremely difficult to quantify. In undertaking research in this field, it is vital to have an analytical framework, both theoretical and empirical, that clarifies the correlations between innovation at the corporate and industry levels and total factor productivity (TFP). RIETI will evaluate and analyze conditions surrounding Japanese industry and specific industrial and technological policies to provide findings that the government can utilize to promote innovation policies.

Introduction of Research Projects

II-1) The Structural Characteristics of Research and Development by Japanese Companies, and Issues for the Future

Project Leader: NAGAOKA Sadao, RC & FF

<Overview>

An in-depth study on the processes of innovation will be conducted by combining the results of surveys done in this and the previous fiscal year with related statistical data. The project will also undertake research to shed light on policy issues and will engage in international joint research. Specifically, the following research will be undertaken:

- (1) One of the focus points of the research will be the patent system.
- (2) To facilitate analysis of the R&D performance of firms and individuals based on the inventor survey, we will collate the names of patent applicants and inventors covered in the inventor survey and who appear in the patent database.
- (3) The research combining the inventor survey and the innovation survey of the National Institute of Science and Technology Policy, Ministry of Education, Culture, Sports, Science and Technology will be conducted.

These researches will develop a comprehensive understanding of the processes of innovation and examine the determinants of performance.

<Major Research Results>Discussion Paper

- Number of Backward Patent Citations as a Quantitative Indicator of Prior Art (WADA Tetsuo) (DP No.:08-J-038)
- Structural Modeling of the Value of Patent (SUZUKI Jun) (DP No.:08-J-039)
- The R&D Process in the U.S. and Japan: Major Findings from the RIETI-Georgia Tech Inventor Survey (NAGAOKA Sadao and John P. WALSH) (DP No.:09-E-010)
- Commercialization and Other Uses of Patents in Japan and the U.S.: Major Findings from the RIETI-Georgia Tech Inventor Survey (NAGAOKA Sadao and John P. WALSH) (DP No.:09-E-011)

II-2) Organizational and Strategic Challenges for R&D Internationalization of Japanese Firms: A Managerial Approach

Project Leader: ASAKAWA Kazuhiro, FF

<Overview>

Recent changes in trends in R&D internationalization underscore the limited explanatory powers of existing "conventional theories." It can be said that a tectonic shift is occurring in global R&D systems encompassing both the advanced and developing regions of the world (Asakawa and Som 2008). With this issue in mind, this project seeks to identify new trends in R&D internationalization using the latest data available from questionnaire surveys conducted in the R&D headquarters of Japanese firms and their overseas R&D centers. In particular, the project aims to analyze current conditions and issues related to organizational and strategic aspects. Our re-examination of "conventional theories" indicates the need for a new analytical framework that corresponds to existing conditions. The micro-level analysis of firms and their overseas R&D centers developed by this project and the macrodata developed by the OECD and other organizations are expected to be complementary to each other.

II-3) Productivity of Companies and Industries, and Japan's Economic Growth

Project Leader: FUKAO Kyoji, FF

<Overview>

For the Japanese economy to retain its vitality under conditions of decreasing population and the aging of society, it will be essential to achieve economic growth based on accelerated productivity growth. With this challenge in mind, this project, as a rule, annually updates the Japan Industrial Productivity Database (JIP), a basic source of data for analyzing Japan's economic growth and changes in its industrial structure, and analyzes the trends in TFP on a detailed industrial level with their determinants. In addition, by participating in "EU KLEMS," a joint international project on productivity in the European Union (EU), we compare Japan's industrial structure and productivity growth by industry with that of other industrialized countries, including the United States, the EU member countries and South Korea. Finally, we analyze the impact of the globalization of firms and their accumulation of intangible assets on their productivity. This is done using the JIP Micro Database, which covers most Japanese firms including those in the non-manufacturing sector, and microdata from government statistics.

<Major Research Results>

Discussion Paper

- Why Has Japan's TFP Growth Recovered?: An Empirical Analysis based on the Basic Survey of Japanese Business Structure and Activities (Hyeog Ug KWON, Young Gak KIM and FUKAO Kyoji) (DP No.:08-J-050)
- Do Competitive Markets Stimulate Innovation?: An Empirical Analysis based on Japanese Manufacturing Industry Data (INUI Tomohiko, KAWAKAMI Atsushi and MIYAGAWA Tsutomu) (DP No.:08-E-012)
- The Evolution of the Productivity Dispersion of Firms—A Reevaluation of its Determinants in the Case of Japan (ITO Keiko and Sébastien LECHEVALIER) (DP No.:08-E-014)
- Embodied Technological Progress and the Productivity Slowdown in Japan (TOKUI Joji, INUI Tomohiko and Young Gak KIM) (DP No.:08-E-017)

II-4) Japan's Productivity and Economic Growth: International Comparison and Analysis of Determinants of Productivity Growth

Project Leader: FUKAO Kyoji, FF

<Overview>

Given Japan's shrinking labor population, productivity growth stands as a major source of economic growth. TFP is important also from the perspective of defining the rate of return on physical capital and for its impact on trends in capital investment. The purpose of this project is to annually update the Japan Industry Productivity (JIP) database to enable the analysis of recent trends in Japanese productivity. The project also seeks to integrate microdata covering the entire Japanese economy with macro and industry-level data in order to analyze improvements in macro and industry-level TFP and labor productivity from the perspective of individual firms and business establishment.

II-5) An Integrated Approach to the Raising of Productivity at the Macro, Industry, and Company Levels

Project Leader / Sub-Leader: NISHIYAMA Yoshihiko, FF / ICHIMURA Hidehiko, FF

<Overview>

Referred to by terms such as the "lost decade," the 1990s are regarded as a period of declining productivity. However, it is not clear what really caused a decline in productivity at the macro level. A number of causes are conceivable, such as declines in the productivity at individual firms, the entry of firms with low productivity, and the exit of firms with high productivity, but finding the actual causes requires an empirical approach. That requires examination with a combination of an appropriate economic model and appropriate statistical methods, but among existing studies there is nothing suitable that can be applied directly in this regard. From the standpoint of seeking desirable sustainable growth for the future, an important issue to address is that of gaining a unified understanding of changes in the substructure at the company and industry level, together with changes at the macro level. In our research we adopt a comprehensive approach to this issue from both theoretical and empirical perspectives.

II-6) An Empirical Analysis on the Increasing Complexity of Artifacts, Design Processes and Product Architectures

Project Leader / Sub-Leader: FUJIMOTO Takahiro, FF / OSHIKA Takashi, FF

<Overview>

As customer needs and social constraints (environment, safety, etc.) become increasingly complex and sophisticated, firms find it more difficult to take a modular approach in the products they supply to the market. In particular, in such products as automobiles, with many mechanical components remaining, require co-evolution of mechanics, electronics and software. This demands mutual coordination between the design of controlled mechanical components and the design of controlling electronic and software components. Based on this perspective, this project inquires into the contemporary problem of "complex products" from the standpoint of design theory. Specifically, we interpret products supplied to the market as being "artifacts" (designed objects), and analyze the causes of their growing complexity, and the response of firms to such developments.

<Major Research Results>

Policy Discussion Paper

- Empirical Analyses of Product Architecture Theory and Corporate Activity and Management Activity (OSHIKA Takashi) (PDP No.:08-P-010)

Introduction of Research Projects

II-7) Investigation and Research on Innovation Processes in Semiconductor Industries—Case Study and Analysis of Electron Microscopies, Resist and Packaging Technologies

Project Leader: CHUMA Hiroyuki, FF

<Overview>

Through joint research conducted with the scientists and engineers of manufacturers of semiconductor devices and electron microscopies, this project examines, from an economics and business perspective, the historical background that gave rise to significant inventions and innovations and reasons why these inventions and innovations emerged primarily from venture-capital laboratories in Germany and the United Kingdom (and not from Japan, which is reputed as the most advanced in electron microscopies).

II-8) Empirical Research into Software Innovation

Project Leader / Sub-Leader: TANAKA Tatsuo, FF / SUZUKI Jun, FF

<Overview>

Japan's competitiveness in the software industry is perceived as being weak. In the software industry as a whole there is an overwhelming import surplus, while exports are less than 10% of the value of imports. Among high-value-added high-tech industries it is rare to find any in which Japanese competitiveness is so overwhelmingly lacking. Additionally, this fact may have a negative impact on innovation in business processes that use information technology (IT). Why is this? Why has such a disparity in competitiveness arisen? Is it possible to devise policy remedies that will enhance competitiveness? The objective of our research is to empirically study various hypotheses that may answer these questions, and in so doing to identify the current state of software innovation in Japan, and to seek policies to enhance the competitiveness of software industries and promote business innovation through the use of software.

II-9) The Desirable Form of Future Pro-Patent Policy

Project Leader: KIYOKAWA Yutaka, SF

<Overview>

The promotion of innovation is indispensable to Japan's survival. One of the systems supporting the process of innovation is the intellectual property rights system. Since the establishment of the Intellectual Property Strategy Headquarters in 2003, Japan's intellectual property system has taken a more pro-patent stance and its level of protection has been upgraded. Combined with the several revisions of the Patent Law that were enacted earlier and various changes made in the application of the law and related judicial matters, it is thought that the level of protection in Japan has been significantly improved. (See Y. Kiyokawa, "Evaluation of Japan's Pro-Patent Trends and Future Issues," METI Journal, April 2007). However, given the growing complexity and speed of R&D activities, it is becoming more difficult for individual firms to successfully undertake R&D on their own. This has prompted a move toward "open innovation," particularly in the software field. Similarly, "cooperation" in R&D is now observed in various fields. On the other hand, because intellectual property rights are essentially exclusive rights and proprietary by nature, they do not easily lend themselves to concepts of common good or cooperation and collaboration. In addition, exclusive rights cause distortions in market competition and their excessive application can obstruct innovation itself (e.g., patent thickets, patent trolling, etc.). While the promotion of R&D does require the effective protection of incentives, such measures are counterproductive when they undermine innovation in general. Given that significant progress has been made in Japan's intellectual property rights system in terms of the level of protection, the aim of this project is to consider what Japan must now do to promote greater innovation.

<Major Research Results>Policy Discussion Paper

- New Horizons and an Introduction to Intellectual Property Systems: Perspectives on Reviewing Intellectual Property Systems for the Future (KIYOKAWA Yutaka) (PDP No.:08-P-009)

II-10) Study on Industrial Clusters (joint research with Kyoto University)

Project Leader: KODAMA Toshihiro, Professor, Institute of Economic Research, Kyoto University

<Overview>

Industrial clusters are being formed in various areas throughout Japan to promote innovation and to stimulate regional economic vitalization. The purpose of this research project is to consider measures that would promote the development of industrial clusters as effective innovation systems, by featuring empirical research conducted on two regions: the Technology Advanced Metropolitan Area (TAMA) extending over the western part of the Tokyo metropolitan area as a leading case in the "Industrial Cluster Plan" of METI, and the Keiji Area (the region covering southern Kyoto Prefecture and southern Shiga Prefecture) where numerous hi-tech firms and leading universities are concentrated. While studying theoretical aspects, we also conduct a number of activities aimed at developing practical policy recommendations. These activities cover continued research on the Keiji Area including interviews with local firms, research meetings held with local government agencies, public organizations for the support of industries, and university researchers and staff. In addition, an open symposium was held on January 16, 2009 for the general public and business community.

<Major Research Results>Final Report

Final Report for the Study on Industrial Clusters for FY 2007 (April 2007 to June 2008), RIETI, Kyoto University (2008)

KIER-RIETI Symposium

"Innovation and Human Resources Development" (2009/01/16)

II-11) Study on Intangible Assets in Japan

Project Leader: MIYAGAWA Tsutomu, FF

<Overview>

In line with the recent researches on the relationship between investment in "workers and organizations" and corporate performance by using microdata, this project examines how the performance of Japanese firms has been affected by their internal organizational reforms, personnel management and human resources development. Following Bloom and Van Reenen (2007), the research will be based on interviews with firm managers. Using the interview survey, the purpose of the research focuses on the effect of organizational and human resource management on firm performance. During fiscal 2007, considerable time was spent on designing and implementing these interviews and analyzing the results obtained from 151 firms with head offices in the Tokyo area. Nationwide interviews (573 firms) and questionnaire surveys of personnel departments (391 firms) were completed by September 2007. During fiscal 2008, a more detailed analysis of the impact of organizational structure and human resource development on corporate performance will be conducted by combining the results obtained from the above surveys with microdata from government statistics. Since the interviews have also provided new data on internal human capital formation at the macro and industry levels, and new estimation results have also become available from other countries, we will revisit the results of Fukao et al. (2007, 2008) which estimated intangible investment at aggregate level.

<Major Research Results>Discussion Paper

- Corporate Organizational Reform and Corporate Performance: Empirical Analysis based on Interviews with Tokyo-Area Firms (MIYAGAWA Tsutomu, OZAKI Masahiko, KAWAKAMI Atsushi and EDAMURA Kazuma) (DP No.:08-J-062)



II-10) Study on Industrial Clusters
KIER-RIETI Symposium
"Innovation and Human Resources Development" (2009/01/16)

Introduction of Research Projects

II-12) Research on Productivity Growth in Service Industries

Project Leader / Sub-Leader: Hyeog Ug KWON, FF / MATSUURA Toshiyuki, F

<Overview>

The objectives of this research project are as follows:

- (1) To develop methods for accurate measurement of productivity in service industries and to undertake concrete empirical analysis on the determinants of productivity in service industries (human capital, innovation, introduction of IT, intangible assets, outsourcing, location, new entrants, deregulation policies, etc.) by using industry and firm level data,
- (2) To identify problems in Japan's service industries through an international comparison using rigorous methods, and
- (3) To develop specific policy recommendations based on the results that are ultimately obtained from these analyses.

In our research, we will collaborate with the following research projects at RIETI: II-3) Productivity of Companies and Industries, and Japan's Economic Growth (FUKAO Kyoji, FF & MIYAGAWA Tsutomu, FF); II-4) Japan's Productivity and Economic Growth: International Comparison and Analysis of Determinants of Productivity Growth (FUKAO Kyoji, FF); II-11) Study on Intangible Assets in Japan (MIYAGAWA Tsutomu, FF); and I-3) Empirical Analyses Relating to IT and Productivity (MOTOHASHI Kazuyuki, FF & MATSUURA Toshiyuki, F). We will also be collaborating with overseas research institutes (OECD, IFS, KDI, Brookings Institute) and overseas research projects (EUKLEMS).

<Major Research Results>Discussion Paper

- Economies of Density and Productivity in Service Industries: An Analysis of Personal Service Industries based on Establishment-Level Data (MORIKAWA Masayuki) (DP No.:08-J-008/08-E-023)
- Productivity and Survival of Family Firms in Japan: An Analysis Using Firm-Level Microdata (MORIKAWA Masayuki) (DP No.:08-J-029/08-E-026)
- What Do Japanese Unions Do for Productivity?: An Empirical Analysis Using Firm-Level Data (MORIKAWA Masayuki) (DP No.: 08-J-030/08-E-027)
- How to Enhance the Productivity of Service Industries: Suggestions from Recent Studies and Agenda for Future Research (MORIKAWA Masayuki) (DP No.:08-J-031)
- Demand Fluctuations and Productivity of Service Industries (MORIKAWA Masayuki) (DP No.:08-J-042/08-E-030)
- The Productivity Dynamics of Japanese Commerce: An Empirical Analysis based on Microdata from the Basic Survey of Japanese Business Structure and Activities (Hyeog Ug KWON and Young Gak KIM) (DP No.:08-J-058)

II-13) Construction of Eco-System for the Creation, Growth and Agglomeration of New Technology-Based Firms (NTBFs)

Project Leader: NISHIZAWA Akio, FF

<Overview>

How can product innovation based on university research be achieved? The global trend is to adopt policies to facilitate the creation of many "New Technology-Based Firms" (NTBFs), and to generate hi-tech industries in the geographic vicinities of universities through growth and agglomeration of these NTBFs. However, in Japan, this approach has not yet yielded successful results. Indeed, a pioneering project referred to as the "Sapporo Valley" is said to be losing its growth momentum. Against this backdrop, this project addresses the following two questions about Japan: Why has the model for the establishment of hi-tech industries based on innovation generated through the process of NTBFs creation, growth and agglomeration failed to function even in the areas with prominent research universities? What factors are obstructing the process of NTBFs creation, growth and agglomeration? The purpose of this research project is to analyze these questions from both empirical and theoretical perspectives, and to formulate benchmarks for the building of eco-systems in the regions.

II-14) Service Differentiation and Productivity: Productivity Analysis Based on a Monopolistic Competition Model

Project Leader: KATO Atsuyuki, F

<Overview>

The theme of this project is the "analysis of the productivity of firms providing differentiated services." Productivity research based on firm- and business establishment-level data normally uses sales (or value-added computed from sales) as the output and an industry-level deflator. This is because product-level data on production volumes and prices is hardly obtainable due to statistical limitations. These limitations are particularly restricting in service industries because of the difficulty in quantitatively defining production volumes. Moreover, the impact of product (service) diversification on the estimation of productivity is ignored. Furthermore, because estimated productivity fluctuation includes markups and demand shocks (changes in consumer preferences, etc. on the firm level), such estimates may not correspond with productivity fluctuations in the strict sense. In light of these problems, this project focuses on the following objectives:

- (1) Productivity estimation by using a model that explicitly incorporates product (service) differentiation under the actual limitations on the usage of price and volume data for individual products (services).
- (2) The results obtained will be compared with results from prior research (on economies of scale, productivity dynamics, etc.), and the effects of corporate characteristics and strategies and industrial policies will be analyzed.

<Major Research Results>Discussion Paper

- Productivity, Returns to Scale and Product Differentiation in the Retail Trade Industry: An Empirical Analysis Using Japanese Firm-Level Data (KATO Atsuyuki) (DP No.:09-E-009)

II-15) Micro Econometric Analysis of Performance in the Beauty Industry

Project Leader: KONISHI Yoko, F

<Overview>

As a first step in analyzing service industries, this project has set the beauty industry—specifically hairdressing salons—as the targeted area of analysis due to their relatively simple production structure. Almost all businesses in Japan's hairdressing industry are under individual management. Nationwide, there are more than 200,000 hairdressing salons in operation. Until the late 1990s, the industry adhered to standardized operating days, hours and charges that were effectively maintained through union activities and laws. Much of this has changed in recent years due to the abolition of laws, reduction in unionization and the emergence of charismatic hairdressers. As a result, the industry has experienced severe price wars and the difference between salons and available services continues to grow. To understand productivity in service industries, it is necessary to define the equivalent of the production function in a manufacturing industry. A model for this purpose must be sensitive to changes in demand; it must be restricted by "floor area, number of employees and business hours;" and it must also allow for an upper limit on supply volume. This project involves collecting extremely detailed information regarding finance, customers, and labor from six hairdressing salons to be used in investigating the structures of supply and demand in the beauty industry.

II-16) Exploring New Economic Indicators based on Multi-Tiered Network Analysis Indicators

Project Leader: TAMADA Schumpeter, FF

<Overview>

The purpose of this project is to develop new indicators to be used in the formulation of economic policy. The approach taken is to investigate innovation, resulting from multiple and diverse inter-firm interactions, by using multi-tiered network analysis and patent value assessment methods to analyze data on corporate transactions and joint invention. Specifically, the project analyzes networks that connect about 1 million Japanese firms through joint patent applications, mutual share holding, business transactions and interlocking directorates. As the first step, the topological features of networks are identified by computing various network indicators for cases in which the strength of relations is not considered. These indicators are then examined to determine how they can contribute to economic policy formulation. In the next step, the strength of inter-firm relations is defined and multi-tiered networks are weighted accordingly and analyzed. In particular, a theoretical model will be developed to compute the value of a number of firms that are connected to form a cluster. Finally, properties of high value-added clusters will be analyzed and economic policies for promoting the generation of high value-added clusters will be examined.



Formulating Japan's Strategy in Response to Globalization and Deepening Economic Interdependence in Asia

As the world economy becomes increasingly globalized, and particularly as Asian countries rapidly grow more economically integrated, Japan needs to establish a comprehensive strategy for implementing policies that respond to international trade rules—such as those under the WTO and FTAs—and facilitate trade and investment. RIETI will contribute to the formulation of Japan's strategy for trade and other policies by conducting analysis on the value chain of trade, direct investment, and technological development in Asia, as well as on the transformation of Asia's monetary and foreign exchange systems, thereby presenting policy proposals for Asia and the world. RIETI will investigate and sort out cases of actual implementation of trade rules, analyze the economic conditions and trade strategies of Japan's major economic partners, and conduct research on business environments and other factors that influence the successful operation of Japanese companies in the global arena.

Introduction of Research Projects

III-1) Research on Changes in Multinational Corporations, Trade Structures, and Market Institutions

Project Leader: WAKASUGI Ryuhei, RC & FF

<Overview>

Notable research topics in the field of international economics include the growth of foreign direct investment, expansion of overseas production and outsourcing; technology licensing and the protection of intellectual property rights; the trade expanding effects of FTAs; and, the effectiveness of trade restrictive measures based on tariffs and anti-dumping actions. These issues have already been analyzed in the context of trade theory, theory of the firm and contract theory. However, not enough has been done in empirical examination. This applies to Japan as well as to other countries. The purpose of this project is to quantitatively analyze current issues in the above topics based on international trade data by commodity industry-level data and firm-level data for Japanese firms. In addition, we will quantitatively assess the effects of policies and systems, and discuss the implications for trade and industrial policies.

<Major Research Results>

Discussion Paper

- International Trade in Cultural Goods: Survey and Prospects (TANAKA Ayumu) (DP No.:08-J-007)
- International Strategic Alliances for Local Market Entry: Direct Launches versus Marketing Alliances in Pharmaceuticals (TAKECHI Kazutaka) (DP No.:08-E-022)
- Offshoring and Productivity: Evidence from Japanese Firm-Level Data (ITO Banri, WAKASUGI Ryuhei and TOMIURA Eiichi) (DP No.:08-E-028)
- Cross-Regional Variations in Offshore Outsourcing Choices: Evidence from Firm-Level Data (TOMIURA Eiichi, ITO Banri and WAKASUGI Ryuhei) (DP No.:08-E-029)

III-2) Comprehensive Study on the WTO regulations on Subsidies

Project Leader: KAWASE Tsuyoshi, FF

<Overview>

Subsidies are widely used throughout the world as a standard tool for the achievement of domestic policy goals. However, subsidies can create distortions in resource allocation as seen in the impact of export subsidies on international trade. For this reason, subsidies are subject to regulation under the WTO Subsidies and Countervailing Measures (SCM) Agreement and Agriculture Agreement. Since the establishment of the WTO, more than 30 adjudications have been handed down on the issue of subsidies by WTO Panels and Appellate Body. Moreover, the number of subsidy-related disputes referred to the WTO is expected to increase with the expiration of provisions temporarily suspending the application of related agreements ("Peace Clause"). This project has the following three objectives: to research the interpretations and applications of relevant rulings made under the SCM Agreement and Agriculture Agreement; to examine the problems that may exist in the subsidy systems of Japan and Japan's major trading partners from the perspective of the WTO Agreement; and to gain insight into how Japan can develop its subsidy and countervailing duty systems while assuring compliance with the WTO Treaty.

III-3) Promoting East Asian Production Networks, the Unwinding of Global Imbalances, and the Resolution of the Economic Crisis

Project Leader: Willem THORBECKE, SF

<Overview>

This year's research seeks to understand Asian production networks and Asia's trade with the rest of the world. It also considers policy measures to promote recovery and bring stability to East Asia. Some of the work involves presenting an analytical description of production networks and investigating how exchange rate changes and changes in income in the rest of the world affect Asian trade. For example, one policy implication is that exchange rate stability in East Asia would be desirable because exchange rate volatility would interfere with the slicing up of the value-added chain. Another policy implication is that East Asian countries should stimulate demand domestically to reduce their exposure to a slowdown outside of the region. Some of the work looks at previous agreements between world leaders to resolve global imbalances and to promote recovery. Other work considers how Federal Reserve monetary policy can be effective in the face of changes in inflation. Finally, the work considers a new development model for China and East Asia. The question is whether East Asia can be an engine of growth for the world economy, given that demand in Western economies has collapsed. The evidence indicates that if East Asia shifts to a domestic demand-led growth model, it could contribute significantly to growth in the rest of the world.

<Major Research Results>

Discussion Paper

- The Effect of Exchange Rate Volatility on Fragmentation in East Asia: Evidence from the Electronics Industry (Willem THORBECKE) (DP No.:08-E-016)
- Monetary Policy Surprises and Interest Rates: Choosing between the Inflation-Revelation and Excess Sensitivity Hypotheses (Willem THORBECKE and Hanjiang ZHANG) (DP No.:08-E-031)
- The Effect of Exchange Rate Changes on China's Labor-Intensive Manufacturing Exports (Willem THORBECKE and Hanjiang ZHANG) (DP No.:08-E-038)
- Can East Asia be an Engine of Growth for the World Economy? (Willem THORBECKE) (DP No.:09-E-006)

III-4) The Foreign Aid Governance

Project Leader: SAWADA Yasuyuki, FF

<Overview>

International discussions on development aid have come to a major turning point. This reflects the transition from aid for economic growth to direct aid for poverty reduction, from project-based aid to budget support aid, from loan-centered to debt reduction aid and grants, and from bilateral to multilateral aid. The aim of this Project implemented during fiscal 2006-08 was to systematically identify the differences in the macroeconomic impact of aid in Asia and Africa based on available evidence, and to measure the impact of the aid allocation behavior of donors and the effectiveness of technical assistance. Using the results obtained from this research, we will pursue the following objectives during fiscal 2009:

- (1) Basic research on developing insurance schemes to manage and cope with disaster risks through international cooperation; and
- (2) Clarification of the cause and effect relationship in the impact of aid on promoting economic growth.

<Major Research Results>

Discussion Paper

- Impacts of Aid-Funded Technical Assistance Programs: Firm-Level Evidence from the Indonesian Foundry Industry (TODO Yasuyuki) (DP No.:08-E-024/08-J-035)
- Is Aid Allocation Consistent with Global Poverty Reduction?: A Cross-Donor Comparison (SAWADA Yasuyuki, YAMADA Hiroyuki and KUROSAKI Takashi) (DP No.:08-E-025/08-J-065)
- Aid Allocation across Sectors: Does Aid Fit Well with Recipients' Development Priorities? (KASUGA Hidefumi) (DP No.:08-E-039)
- On the Role of Policy Interventions in Structural Change and Economic Development: The Case of Postwar Japan (Julen ESTEBAN-PRETEL and SAWADA Yasuyuki) (DP No.:09-E-001)

International Workshop

"Aid and Economic Development" (2008/9/19)

Project URL

The Foreign Aid Governance (http://www.rieti.go.jp/jp/projects/development_aid/)

Introduction of Research Projects

III-5) Financial Cooperation in Asia and the Optimal Currency Basket

Project Leader / Sub-Leader: ITO Takatoshi, FF / OGAWA Eiji, FF

<Overview>

This project takes the position that the adoption of a common currency basket constitutes a desirable and highly promising choice for the Asian region in the future. Given this point of departure, this project focuses on matters linked directly to policy, such as foreign exchange policies and monetary policy management leading up to a transition to a common currency basket, and the desired composition and structure of the basket. One of the research products of this project is the Asian Monetary Unit (AMU) Data, which has been posted on the RIETI website since September 2005 and is being visited from Japan and overseas (1288 average monthly visits during fiscal 2008). Among various issues emerged from the above themes, we have researched the pass-through problem or the impact of currency fluctuations on domestic prices, and the problem of the invoicing currency or the choice of the currency of denomination in export and import trade. In addition to conventional methods based on macroeconomic models, we did microeconomic analysis during fiscal 2007 featuring interviews with Japanese-affiliated companies concerning their foreign exchange strategies (invoicing currency, risk management) in export and import trade. For fiscal 2008, the project aims to obtain microeconomic and macroeconomic results pertaining to the optimal currency basket and the pass-through and invoicing currency problems, and to use these in formulating policy recommendations that are consistent with administrative needs.

<Major Research Results>Discussion Paper

- ▶ Currency Invoicing and Foreign Exchange Risk Management: A Case Study of Japanese Firms (ITO Takatoshi, KOIBUCHI Satoshi, SASAKI Yuri, SATO Kiyotaka, SHIMIZU Junko, HAYAKAWA Kazunobu and YOSHIMI Taiyo) (DP No.:08-J-009)
- ▶ China's Exchange Rate Policy and Asian Currencies (ITO Takatoshi) (DP No.:08-J-010)

Project URL

AMU (Asian Monetary Unit) and AMU Deviation Indicators (<http://www.rieti.go.jp/users/amu/en/>)

III-6) Trade, the Environment, and Food Safety

Project Leader: JINJI Naoto, FF

<Overview>

"Trade and the environment" and "food safety and trade" have emerged as critical issues in international trade. The purpose of this project is to approach these issues from the perspectives of both economics and law and to conduct comprehensive and interdisciplinary research. The following research will be conducted in the area of trade and the environment: empirical study on the effects of trade liberalization on the environment; theoretical study on illegal logging; and, theoretical study on voluntary corporate environmental action. The following research will be conducted in the area of food safety and trade: legal and economic analysis of the application of provisions of the WTO Agreement on Sanitary and Phytosanitary Measures (SPS Agreement); case studies on WTO disputes related to the SPS Agreement. In addition, the consumer benefits of food safety regulations will be estimated in the case of Japan's BSE countermeasures.

<Major Research Results>Discussion Paper

- ▶ Does Trade Liberalization Reduce Pollution Emissions? (MANAGI Shunsuke, HIBIKI Akira and TSURUMI Tetsuya) (DP No.:08-E-013)

Publications

Food Safety and Trade, written and edited by YAMASHITA Kazuhito, Nippon Hyoronsha Co., Ltd., April 2008

Food Security, written by YAMASHITA Kazuhito, Nippon Hyoronsha Co., Ltd., March 2009

**III-7) FTA Study**

Project Leader: URATA Shujiro, FF

<Overview>

In recent years, there has been a rapid increase in the number of free trade agreements (FTAs) in which trade is liberalized between designated countries. While FTAs expand the level of trade between member countries, they are very likely to divert and suppress trade with non-members. FTAs affect the economies of member and non-member countries through these two effects. The purpose of this project is to examine the impact of FTAs on trade and domestic economic activities by undertaking pre- and post-FTA analysis. Pre-FTA analysis is based on data from the period prior to the establishment of a FTA and features the running of simulations using general equilibrium models. Post-FTA analysis is based on actually observed data and uses gravity models to examine the determinants of bilateral trade. This project covers the FTAs established by Japan and other FTAs established throughout the world. For Japan's FTAs, the project also analyzes the level of use of the FTA by firms. Drawing on the results of these analyses, this project aims to determine the impact of FTAs on trade and domestic economic activities, and to provide useful information for the design of FTA policies by the Japanese government.

III-8) The Rise of China and the Transformation of the East Asian Regional Order

Project Leader: SHIRAIISHI Takashi, FF

<Overview>

The emergence of China as an economic powerhouse has been transforming the regional order in East Asia, particularly in the areas of economy, politics and security. The project will address the question of how to manage these transformations. Project members will examine Japan's and other countries' engagement with China from the "realist" (which emphasizes balance of power politics) and "liberal" (which emphasizes economic interdependence and institution-building) perspectives. The project will underline the importance of balancing regional cooperation for managing the regional transformations.

<Major Research Results>

RIETI International Seminar

"The Future of U.S.-China Economic Relations" (2008/05/28)

III-9) The Desirable Form of Legal Protection for Overseas Investments

Project Leader / Sub-Leader: KOTERA Akira, FF / MATSUMOTO Kayo, F

<Overview>

Foreign investments are exposed to considerable risk, depending on factors such as the conditions in the recipient countries. Among these risks, those (political and social risks) that may cause business failure as a direct result of acts by the recipient country need to be addressed through a public framework, and in recent years investment agreements have been attracting attention as a type of public framework. Of particular note is that the procedure for resolving disputes between investors and states (investment agreements arbitration) provided in investment agreements functions as real investor protection. In our research we will analyze the legal principles of arbitration awards and will study legal protection for overseas investment. The analysis of legal principles will have considerable implications for the drafting of the investment-related provisions in future investment agreements or economic partnership agreements that Japan concludes in the future. At the same time, it will serve as a reference for company management when choosing investment targets or investment methods. In addition, this will influence the design of investment insurance schemes offering similar functions.

<Major Research Results>

Discussion Paper

- Types of Foreign "Investor" and "Investment" Covered by Arbitral Jurisdiction (ITO Kazuyori) (DP No.:08-J-011)
- Objections to Jurisdiction and their Settlement in International Investment Arbitration (IWATSUKI Naoki) (DP No.:08-J-012)
- Categories of Rulings on Compensation and Reparation in the International Investment Arbitration: A Tentative Reclassification of Cases (TAMADA Dai) (DP No.:08-J-013)
- Breach of Contracts in Investor-State Arbitration based on International Investment Agreements (HAMAMOTO Shotaro) (DP No.:08-J-014)
- Applicable Laws in ICSID Arbitration: Direct Application of International Law and its Implications (KOMETANI Kazumochi) (DP No.:08-J-024)
- International Investment Arbitration and Parallel Proceedings: Focusing on Regulation and Coordination under National Law (NAKAMURA Tatsuya) (DP No.:08-J-025)
- "Fair and Equitable Treatment" in Investment Treaties: Function of General Provisions (KOTERA Akira) (DP No.:08-J-026)
- Regulations and Indirect Expropriation: Major Criteria for Deciding Indirect Expropriations in Investment Treaty Arbitration (MATSUMOTO Kayo) (DP No.:08-J-027)
- Incentive Design of Investment Treaty Arbitration Procedures (SHIMIZU Takashi) (DP No.:08-J-028)
- Attribution of Conduct to a State in Investment Disputes: Conditions under which a State is Responsible for the Conduct of Local Governments, Para-Statal Entities and Public Corporations (NISHIMURA Yumi) (DP No.:08-J-032)
- State of Necessity as an Economic Safeguard Clause under Investment Treaties: Limitations and Implications as Seen in the Argentine Economic Crisis Cases (KAWASE Tsuyoshi) (DP No.:09-J-003)

RIETI International Seminar

"Investment Risk and International Investment Agreements" (2008/07/25)



III-8) The Rise of China and the Transformation of the East Asian Regional Order
RIETI International Seminar
"The Future of U.S.-China Economic Relations" (2008/05/28)



III-9) The Desirable Form of Legal Protection for Overseas Investments
RIETI International Seminar
"Investment Risk and International Investment Agreements" (2008/07/25)

Introduction of Research Projects

III-10) Trade Agreements and Tax Systems

Project Leader / Sub-Leader: KOTERA Akira, FF / MATSUMOTO Kayo, F

<Overview>

Since trade agreements (i.e. WTO Agreements, economic partnership agreements, international investment agreements, etc.) address trade measures, references to taxation often do not specify what aspects of taxation and tax measures are to be regulated. However, it has become globally recognized that trade agreements have an important regulatory impact on taxation.

The importance of the relationship between trade agreements and taxation becomes evident when a trade agreement is objectively interpreted by a third party. A good example of this is the 1980s dispute concerning the grading of alcoholic beverages that was referred to the General Agreement on Tariffs and Trade (GATT) dispute settlement procedures. The GATT ruling against the established grading practice clearly revealed how GATT regulations can impact domestic taxation. The growing coverage of trade agreements creates increased opportunities for this type of problem.

This problem is further complicated by the existence of bilateral tax agreements. Trade agreements frequently contain provisions for exemption from certain matters covered by tax agreements (as in the case of the General Agreement on Trade in Services [GATS] and Japan's economic partnership agreements). When exemptions are not stipulated, a series of other issues may arise, which go beyond how to modify domestic measures, how to make adjustments between the provisions contained in trade agreements and tax agreements. One of these issues is how to coordinate the dispute settlement procedures of the two types of agreements.

With these issues in mind, small-scale study sessions will be organized with the participation of legal scholars and specialists specializing in the fields of international law, international economic law, tax laws, EU laws, etc. On occasion, researchers from the field of economics will also join the sessions.

III-11) Study on International Strategies for Improving Productivity in the Context of Economic Globalization

Project Leader: SHIRAIISHI Shigeaki, SF

<Overview>

The aim of this project is to develop effective policy recommendations for improving productivity in the context of economic globalization by interpreting the process of economic globalization to be a multiple game involving the following types of players acting on different sets of principles: (1) firms acting to maximize profits whose behavior can be explained in terms of a "2R-2R model" (cyclical model of "resources and risks as the strategic basis" and "redefinition and relocation as the strategic action") (2) governments acting to maximize national interests based on the principle of realism; and (3) international organizations acting to maximize overall interests transcending the framework of nations based on the principle of liberalism. This framework is used for analyzing current conditions and identifying salient issues in globalization and productivity. Particular attention is paid to cross-border M&As as a specific form of economic globalization, and the reorganization of Europe's electric power and gas industries is analyzed as a case study. This project is conducted jointly with the OECD.

<Major Research Results>Discussion Paper

➤ Structure of Economic Globalization: Multiple Games among Firms, Sovereign States, and International Organizations (SHIRAIISHI Shigeaki) (DP No.:08-J-037)

Policy Discussion Paper

➤ Background and Mechanism of Reorganization of European Power and Gas Industries: Multiple Games among Firms, Sovereign States, and International Organizations (SHIRAIISHI Shigeaki) (PDP No.:08-P-005)

III-12) Empirical Studies on Trade Policies and Firm Behavior

Project Leader: OHASHI Hiroshi, FF

<Overview>

The purpose of this project is to empirically assess and analyze the impact and effect of trade policies on the behavior of firms and structure of industries. Traditional research in this field often assumes the existence of a representative firm and has focused mainly on the evaluation of economic welfare. More recent research attempts to put more emphasis on the aspects of firm heterogeneity while allowing for strategic interactions among firms. In a globalized economy, firms will not necessarily respond passively to trade policies. For instance, it is known that firms will take a strategic approach to influencing policymaking processes. On the other hand, empirical analyses aimed at determining the validity of this theoretical possibility have only been recently started. Against the backdrop of the increased globalization of corporate activities and the expansion and development of East Asian business networks, this project will focus on analyzing firm behavior while empirically evaluating the impact of international trade systems and trade policies.

III-13) Study on Offshore Outsourcing by Japanese Firms

Project Leader: TOMUIRA Eiichi, FF

<Overview>

In recent years, firms in advanced economies have been increasingly relocating a broad range of operations and functions including R&D activities and manufacturing processes to overseas sites (offshoring). Furthermore, these relocations are not only to divisions within their own multinational corporations but also to unrelated firms (outsourcing). As a result, identifying the current status of cross-border outsourcing has become critically important in formulating Japan's trade policies, regional economic policies and industrial policies. The aim of this project is to undertake an econometric analysis of corporate survey results in order to contribute to an understanding of the offshore outsourcing by Japanese firms, which has an important bearing on Japan's policies. In addition, offshore outsourcing is analyzed with an aim to verify new trade theories.

III-14) Study on International Trade and Firms

Project Leader / Sub-Leader: WAKASUGI Ryuhei, RC & FF / TODO Yasuyuki, FF

<Overview>

Melitz (2003), Helpman et al. (2004) and others have theoretically established that high corporate productivity promotes participation in export and foreign direct investment. In more recent years, Bernard and Jensen (1995, 1999), Bernard et al. (2007) and others have examined the empirical validity of this theory using data from U.S. firms. Mayer and Ottaviano (2007) have conducted comprehensive research on European firms and have helped clarify the relation between corporate productivity and exports and foreign direct investment. The incorporation of corporate heterogeneity in the analysis of international trade constitutes a global trend in research.

While empirical studies of Japanese firms have been undertaken by Head and Ries (2001, 2003), Kiyota and Urata (2005), Tomiura (2007) and others, it cannot be said that sufficient work has been done in this area. The discussion paper entitled, "The Internationalization of Japanese Firms: New Findings based on Firm-Level Data" (WAKASUGI Ryuhei, TODO Yasuyuki, SATO Hitoshi, NISHIOKA Shuichiro, MATSUURA Toshiyuki, ITO Banri, TANAKA Ayumu) represents a comprehensive study in this field. While statistical data have been carefully examined, in-depth empirical analysis and consideration remain to be undertaken. Progress in this research field provides us as a Japanese research group corresponding to the U.S. and European groups with an opportunity to contribute to the international development of new trade theories and empirical studies.

Exports and foreign direct investment by Japanese firms play a highly significant role in economic growth and maintaining income levels. This project draws on the latest results of theoretical studies that suggest that firms are actually heterogeneous and not homogeneous as previously assumed to undertake a thorough analysis of the trade, overseas investment and overseas production activities of Japanese firms with the aim of identifying new ramifications for industrial policies.

<Major Research Results>

Discussion Paper

▶ The Internationalization of Japanese Firms: New Findings based on Firm-Level Data (WAKASUGI Ryuhei, TODO Yasuyuki, SATO Hitoshi, NISHIOKA Shuichiro, MATSUURA Toshiyuki, ITO Banri and TANAKA Ayumu) (DP No.:08-E-036/08-J-046)

CEPR-RIETI International Workshop

"Internationalization of Firms and Trade: A comparison between Japan and Europe" (2009/03/27)

III-15) Changes in the Order among Big Powers and Japanese Diplomatic Agenda

Project Leader: NAKANISHI Hiroshi, FF

<Overview>

Events occurring during 2008 and 2009 point to the advent of the most significant juncture in the restructuring of the international order since the end of the Cold War. These events include the launch of a new U.S. administration, changes taking place in China since the Beijing Olympics, and the resurrection of Russian diplomacy in the sphere of its influence. On the other hand, Japan's efforts to restructure its domestic order have lost speed and momentum after the Koizumi reforms, and Japan can be expected to continue to experience turmoil in its internal politics for some time to come. While Japan will have to engage in more fundamental discussions once the internal turmoil has settled, there is a need to analyze the ongoing changes in the international environment and to adopt diplomatic policies that correspond to these changes. This project suggests that the global international order has entered a period of change during 2008 and 2009, and seeks to identify the essential features of this change. The project also considers, on a very fundamental level, the question of how Japanese diplomacy should respond to these changes. Efforts will be made to formulate recommendations on practical policy issues as needed. (We believe that substantial discussion of changes occurring in the East Asian circumstances will become possible after the second half of 2009.)



III-14) Study on International Trade and Firms
CEPR-RIETI International Workshop
"Internationalization of Firms and Trade: A Comparison between
Japan and Europe" (2009/03/27)

Introduction of Research Projects

III-16) The Environment and Trade

Project Leader: YAMASHITA Kazuhito, SF

<Overview>

It has been pointed out that environmental problems and international trade are closely linked. In the past, trade disputes related to the "environment and trade" have frequently occurred within the GATT/WTO framework. The GATT panel ruling in the "dolphin and tuna case" was the first GATT ruling ever to be reported on the front page of the New York Times. Environmental groups upset with this ruling took to the streets to demonstrate against globalization. Under pressure from demonstrators, the WTO Ministerial Conference held in Seattle in 1999 ended in failure. As symbolized by these events, environmental groups began to criticize GATT/WTO during the 1990s, claiming that GATT/WTO undermined environmental interests and that trade liberalization leading to economic expansion would further contribute to environmental destruction. During the presidential election, President Obama advocated the adoption of a series of new rules in free trade agreements and for the WTO to prevent companies from gaining competitive power by sacrificing and degrading the environment. It is highly likely that debates concerning the issue of "environment and trade," which have been generally subdued in the past, will emerge as a central issue in WTO negotiations beginning next year. This project will consider "environment and trade" which is one of the key issues in international trade from a comprehensive and interdisciplinary approach, taking into account the perspectives of both law and economics.

III-17) Study on Business Strategy and Rules for Globalization in the Energy Business Sector

Project Leader: SHIRAIISHI Shigeaki, SF

<Overview>

Thus far, this project has examined economic globalization as a multiple game and has identified its realities and challenges with the intent of developing effective policy recommendations for productivity improvement in the context of economic globalization. Building on these results, we will study the specific developments in the re-organization of European electric power and gas businesses through cross-border M&A from the perspective of business strategies. In addition, while taking into account the responses of the European Commission and member states to these developments, we will examine what may be considered to be a desirable framework for such rules. This project will be undertaken jointly with the OECD/IEA.

III-18) Study of the U.S. Foreign and Security Policy under the Obama Administration

Project Leader: KUBO Fumiaki, FF

<Overview>

The Obama administration faces a number of extremely serious and substantial problems both domestically and in the field of foreign policy. Foreign policy issues start with Iraq and Afghanistan but extend to North Korea, Iran, Israeli-Palestinian relations, and developments in Pakistan. However, these are but a sample of the urgent foreign policy issues facing the Obama administration. The purpose of this project is to elucidate the direction of U.S. foreign and security policies under the Obama administration by focusing on the foreign policy philosophies of policy makers. A review of the foreign and security policy staff of the Obama administration seems to reveal the following at the present time. The most left-leaning elements of the Democratic Party adhering to left and anti-war positions have been basically excluded and the staff is centered on moderates. Moreover, efforts have been made to include moderate Republicans and realists, such as Robert Gates and Brent Scowcroft. The project will aim to develop a fuller understanding of basic foreign policy positions reflected in these appointments. The project will also aim to deepen its analysis of specific policy areas, such as Asia, the Middle East and nuclear non-proliferation.

III-19) Research on the Globalization of Corporate Activities and Development of Economic and Industrial Structure (joint research with Kyoto University)

Project Leader: YASHIRO Naomitsu, CF

<Overview>

The remarkable development of globalization in corporate activities, together with the integration of international capital markets, has brought substantial globalization and diversification to a country's economy and industrial structure. Recent researches in Japan and in many other countries clarified that global activities such as export or foreign direct investment are actually concentrated to a small group of firms. Moreover, a significant disparity in productivity and other measures of performance exists between these firms and those whose activities are restricted to the domestic market. Given its shrinking population, Japan will have to achieve high levels of productivity growth in order to remain on par with other advanced countries in terms of economic growth. It is widely recognized that promoting the globalization of corporate activities constitutes a critical policy issue in realizing this scenario. The purpose of this project is to clarify the mechanism through which the globalization of corporate activities contributes to economic growth and shapes economic and industrial structure into a more competitive state, and to derive policy recommendations based on the findings. The project will undertake a survey of the latest research results and will also involve theoretical and empirical analysis.

III-20) Examination of Investments in China by Japanese Firms

Project Leader: SHIBOTA Atsuo, SF

<Overview>

In the past, the Japanese business community tended to view China and its rapidly expanding economy as a threat. However, this is now being replaced by the view that the vitality of the Chinese economy can be effectively utilized to energize Japanese firms. The economic ties between Japan and China are being strengthened and Japanese-affiliated firms are upgrading the level of their commitment to China. But this implies that Japanese-affiliated firms will become increasingly susceptible to events and changes occurring in the Chinese economy. With this in mind, Japanese-affiliated firms are becoming keenly aware of China-related risks even as they increase their business exposure to China.

The purpose of this project is to survey such current conditions in Japan-China economic relations from the perspective of foreign direct investment. First, developments in Japan-China investment will be surveyed in chronological order, followed by an analysis of Japanese foreign direct investment in China during 2007 and 2008. Next, Japan's position in China's total incoming foreign direct investment will be examined and a number of issues pertaining to foreign direct investment in China will be examined. Finally, we intend to make some projections concerning the future of Japan-China investment relations and will review some specific matters on the Chinese side that need to be understood in order to ensure smooth implementation of investment activities by Japanese-affiliated firms in China.

Other Research Results in Domain III

Symposium

"The 8th Japan-China Economic Conference" (2008/11/18)



"The 8th Japan-China Economic Conference" (2008/11/18)

IV

Compilation of the History of Japan's Trade and Industry Policy

Knowledge of the history of trade and industry policy provides the foundation for formulating future economic and industrial policy. RIETI is undertaking comprehensive, systematic research to compile Japan's history of trade and industry policy, seeking cooperation from external experts including economists and historians.

Introduction of Research Projects

IV-1) Compilation of the History of Japan's Trade and Industry Policy

Project Leader: ODAKA Konosuke, Editor in Chief, HJTIP

<Overview>

This research project will compile the history of trade and industry policy in the late-20th century, with a particular focus on the period from 1980 to 2000, incorporating not only objective facts but also such areas as analytical and evaluative observations concerning the policy-making and implementation processes, effects on industrial and economic conditions that necessitated the formulation of certain policy, realization of intended policy goals, and industrial and economic conditions following policy implementation.

This history of trade and industry policy will consist of 12 volumes. Volume 1 will present a general overview with chapters dedicated to specific time periods, while the remaining 11 volumes (arranged similarly to the organizational structure of Ministry of International Trade and Industry) will provide detailed accounts of different policy fields with chapters organized by policy theme. The compilation is slated for completion by March 2011.

<Project Leadership and Staff>

The project will be carried out under the leadership of the Committee on the History of Japan's Trade and Industry Policy (HJTIP Committee, Chairman: Editor in Chief; Committee Members: Deputy Chief Editors; Coordinating Lead Authors; Representative from METI) set up within RIETI.

List of HJTIP Committee MembersEditor in Chief

ODAKA Konosuke (Professor Emeritus, Hitotsubashi University / Professor Emeritus, Hosei University)

Deputy Chief Editors

TAKEDA Haruhito (Professor, Graduate School of Economics, the University of Tokyo)

NAKATA Tetsuo (Professor, Graduate School of Business, Doshisha University)

MATSUSHIMA Shigeru (Professor, Graduate School of Management of Science and Technology, Tokyo University of Science)

Coordinating Lead Authors (one designated for each volume)

- Vol. 1 General Overview
ODAKA Konosuke (Professor Emeritus, Hitotsubashi University / Professor Emeritus, Hosei University)
- Vol. 2 Trade Policy
ABE Takeshi (Professor, Graduate School of Economics, Osaka University)
- Vol. 3 Industrial Policy
OKAZAKI Tetsuji (Professor, Graduate School of Economics, the University of Tokyo)
- Vol. 4 Distribution Policy / Consumer Administration
ISHIHARA Takemasa (Professor, School of Business Administration, Kwansai Gakuin University)
- Vol. 5 Environment, Location, and Safety Policy
TAKEDA Haruhito (Professor, Graduate School of Economics, the University of Tokyo)
- Vol. 6 Basic Industries
YAMAZAKI Shiro (Professor, Faculty of Urban Liberal Arts, Tokyo Metropolitan University)
- Vol. 7 Machinery and Information Industries
HASEGAWA Shin (Professor, School of Business, Aoyama Gakuin University)
- Vol. 8 Consumer Goods Industries
MATSUSHIMA Shigeru (Professor, Graduate School of Management of Science and Technology, Tokyo University of Science)
- Vol. 9 Industrial Science and Technology Policy
SAWAI Minoru (Professor, Graduate School of Economics, Osaka University)
- Vol. 10 Natural Resources and Energy Policy
KIKKAWA Takeo (Professor, Graduate School of Commerce and Management, Hitotsubashi University)
- Vol. 11 Intellectual Property Policy
NAKAYAMA Nobuhiro (Professor Emeritus, the University of Tokyo)
- Vol. 12 Small- and Medium-sized Enterprise Policy
NAKATA Tetsuo (Professor, Graduate School of Business, Doshisha University)

<Major Activities in fiscal 2008>

- Held meetings of the HJTIP Committee
- Held interim report meetings (Coordinating lead authors reported on areas of their responsibilities. HJTIP Committee members and RIETI personnel attended the meetings and engaged in discussions).
- Exchanged opinions with those who were engaged in the planning and implementation of trade and industrial policy
- Collected data, prepared chronological table, etc.



Institutions Related to Financial and Labor Markets, and New Corporate Law and Governance

RIETI will research the development of new economic institutions which allow for both risk-taking and stable growth.

Introduction of Research Projects

A-1) Study Group on Changes in Financial and Industrial Structures

Project Leader / Sub-Leader: WATANABE Tsutomu, FF / UESUGI Iichiro, CF

<Overview>

(1) Study Group on Financial and Industrial Networks

1. Cost-benefit of dealing with multiple banks, and creditworthiness-testing capabilities of financial institutions
 - 1) Inter-bank bargaining structures in new loan agreements will be analyzed to determine the implications of dealing with multiple banks.
 - 2) Processes culminating in lending decisions will be classified to determine behavioral differences among financial institutions.
 - 3) Performance of borrowers will be analyzed against banks' determinations of creditworthiness based on information other than tangible information.
2. Role of inter-firm credit as a substitute for bank borrowing
 - 1) The extension of inter-firm credit between firms being able to freely procure funds and firms facing severe restrictions in borrowing will be examined.
 - 2) Inter-firm credit is said to be acting as a substitute for bank borrowing. However, the real price of inter-firm credit is difficult to determine from the outside. Determinative factors that come into play in choosing between inter-firm credit and bank borrowing will be examined.
3. The relation between inter-firm transaction networks and firm behavior
 - 1) The role of transaction networks in the exit of firms will be analyzed.
 - 2) The impact of demand uncertainty on supply chains and sales networks in manufacturing industries will be analyzed.
 - 3) Structures of inter-firm transaction networks will be analyzed using the Earth Simulator.

(2) Study Group on Price and Wage Dynamics

In this project, we will undertake detailed micro-level analysis of the price-setting behavior of firms. Using this as a starting point, we will attempt a new approach to macro-level price dynamics. The following analyses will be undertaken during the current fiscal year.

1. Inter-store price differentials will be analyzed using home scanner data (data generated by households using scanners to record purchases). Particular attention will be paid to determining the relation between rates of price increases and price differentials.
2. The relation between product innovation and business cycles will be analyzed using home scanner data and store scanner data (POS data).
3. Price changes in online and off-line markets will be compared for digital home electronic products.
4. Analysis of wage stickiness will be continued.

<Major Research Results>

Discussion Paper

- Reform of Governance in Cooperative Financial Institutions: The Scale of Shinkin Banks' Boards of Directors and Management Performance (YAMORI Nobuyoshi, TOMIMURA Kei and HARIMAYA Kozo) (DP No.:08-J-044)
- Statistical Analysis of Price Fluctuations in the Online Market (MIZUNO Takayuki and WATANABE Tsutomu) (DP No.:08-J-052)
- The Stickiness of Company Shipping Prices: Analysis based on Questionnaire and POS Data (ABE Naohito, TONOGI Akiyuki and WATANABE Tsutomu) (DP No.:08-J-057)
- The Effects of Collateral on SME Performance in Japan (ONO Arito, SAKAI Koji and UESUGI Iichiro) (DP No.:08-E-037)

Policy Discussion Paper

- Comparative Study of Regional Finance and Industrial Partnerships in Japan and South Korea—Comparison of the Taegu and North Gyeongsang Regions of South Korea and the Tokai and Kansai Regions of Japan based on Corporate Questionnaire Surveys (YAMORI Nobuyoshi, HIRAKAWA Hitoshi, Yong-Ho CHOI, Byung-Yong JIN, Gi-Duck BU and Man Bong PARK) (PDP No.:08-P-006)

Publications

Empirical Analysis of SME Financing in Japan, written and edited by WATANABE Tsutomu and UESUGI Iichiro, Nikkei Publishing Inc., September 2008

RIETI Policy Symposium

"What Can Be Learned from Large-Scale Business Data: An Approach Integrating Economics and Physics" (2009/03/05)



Introduction of Research Projects

A-2) Empirical Analysis of Japan's Labor Market: Policy Responses to Low Fertility and Population Aging

Project Leader: KAWAGUCHI Daiji, FF

<Overview>

This project covers the following six themes.

- (1) Figuring out the basic facts of Japan's labor markets.
- (2) Analysis of factors affecting the proliferation of non-regular employment.
- (3) Impact of non-regular employment on career development of young people and its welfare implications
- (4) Theoretical and empirical analysis of the impact of long-term employment systems on corporate productivity.
- (5) Theoretical and empirical analysis of the impact of increased mobility in labor markets on corporate productivity.
- (6) Empirical analysis of the use of non-regular employees based on corporate personnel data.

First, the basic facts of Japan's labor markets in recent years will be figured out using large-scale government statistics. Next, the project will focus on the proliferation of non-regular modes of employment, and will analyze the cause of its increase as well as the impact of this trend on young people's career development and related welfare implications. The project will evaluate how the shortening of the average years of employment caused by non-regular employment affects corporate productivity. Furthermore, the project will verify theoretically and empirically how greater labor mobility reduces employment mismatching and improves productivity. Finally, corporate personnel data will be used in analyzing the use of non-regular employees and their promotion to regular employee status.

<Major Research Results>Discussion Paper

- ▶ Stable Wage Distribution in Japan, 1982-2002: A Counter Example for SBTC? (KAWAGUCHI Daiji and MORI Yuko) (DP No.:08-E-020)
- ▶ Econometric Analysis of Irreversible Investment with Financial Constraints: Comparison of Parametric and Semiparametric Estimations (ASANO Hirokatsu) (DP No.:08-E-032)
- ▶ Are Contingent Jobs Dead Ends or Stepping Stones to Regular Jobs? Evidence from a Structural Estimation (Julen ESTEBAN-PRETEL, NAKAJIMA Ryo and TANAKA Ryuichi) (DP No.:09-E-002)
- ▶ TFP Growth Slowdown and the Japanese Labor Market in the 1990s (Julen ESTEBAN-PRETEL, NAKAJIMA Ryo and TANAKA Ryuichi) (DP No.:09-E-003)

A-3) Economic Analysis of Organizations and Institutions: The Design of Organizations and Institutions to Enhance Corporate Performance and Growth

Project Leader: TSURU Kotaro, SF

<Overview>

The Japanese economy experienced a fifteen-year period of adjustment following the collapse of the bubble economy. As it now attempts to take off toward new frontiers, Japan needs to adopt organizational and institutional designs that will heighten and promote the potential growth and the process of innovation. In so doing, as a more essential requirement for the improvement of corporate innovation and therefore corporate performance, it is important to fundamentally review corporate organizational structures, the status of human resources, and the systems and institutions that function as the infrastructure of markets. This project starts by focusing on corporate mergers and acquisitions, which intensify in recent years, to more fully examine the following questions:

- (1) What are the motives and intent of M&A activities? and
- (2) Are the initially anticipated effects of M&A realized, and does corporate performance actually improve after the completion of corporate reorganization?

In addition, countermeasures to hostile take-over bids and their implications will also be analyzed.

A-4) Research into Measures to Provide Efficient Public Services by Means of Government and Private-Sector Collaboration, Premised on Small Government

Project Leader / Sub-Leader: YAMAUCHI Naoto, FF / MORIYAMA Hiromichi, CF

<Overview>

Given the advent of an aging society with a declining population, plus major structural changes in the form of globalization and the intensification of international competition, in order to maintain economic vitality and to keep the size of the public sector within a scope that is sustainable, it is essential to implement reform toward establishing "small government." Our research activities will include the categorization of the forms of public-private partnership (PPP) such as private finance initiative (PFI), the designated administrator system, and market testing; the conduct of quantitative verification of the effects of reductions in fiscal expenditure; and the conduct of analyses of introduction incentives, including by means of surveys of local government bodies and non-profit organizations (NPOs). In this way we will put forward suggestions on how to shape policies for achieving efficient public services in Japan through PPP.

A-5) The Frontier of Corporate Governance Analysis: Economic Analysis of M&A and Corporate Governance

Project Leader: MIYAJIMA Hideaki, FF

<Overview>

As the result of macroeconomic environmental changes as well as rapid progress of deregulation and institutional reform in the second half of the 1990s, Japanese firms have participated in a large-scale experiment involving the transformation of their businesses, organizational structures and corporate governance. This has attracted keen attention both in Japan and overseas. This project has studied the actual status of governance structure reforms of Japanese firms and analyzed the impact of these changes on corporate performance. The aim of this project during fiscal 2008 will be the following issues that previously were not fully studied.

- (1) Theoretical re-examination of institutional complementarity
- (2) Theoretical re-examination of owing stocks and empirical study of cross-holding of shares
- (3) Significance of public listing and the economic functions of publicly listed subsidiaries
- (4) Re-examination of condition-dependent governance
- (5) Interrelation of business portfolios, decentralization and corporate governance
- (6) Role of inter-firm competition as a precondition for autonomous governance and internal governance

While focusing on these issues, this project will seek to develop new methodologies for empirical analysis and to develop data needed for such approaches. Finally, this project will attempt to open new research frontiers in corporate governance with strong policy implications.

<Major Research Results>

MFJ-RIETI-WASEDA International Conference

"Organization and Performance: Understanding the Diversity of Firms" (2008/11/14)

Project URL

Developing the Research Frontier in Corporate Governance Analysis (<http://www.rieti.go.jp/en/projects/cgp/>)

A-6) Changes in the Socioeconomic Structure and Tax Reform

Project Leader / Sub-Leader: IWAMOTO Yasushi, FF / HASHIMOTO Kyoji, FF

<Overview>

Faced with the challenges of aging, globalization, global environmental issues and growing disparities, Japan's socio-economic structures are undergoing significant changes that necessitate fundamental reforms in the tax system. With this awareness, this project has utilized developments in tax theory to consider appropriate tax systems that correspond to socio-economic structural changes from a medium- to long-term perspective. During the current fiscal year, the project will expand upon the analysis undertaken in the previous year and will also take up new analytical issues. Specifically, the following critical issues will be considered and research themes will be selected from areas where academic contributions can be made: the relation between social security and taxation in an aging society; capital gains taxation in an environment of economic globalization; and systems of local taxation corresponding to advances in decentralization. Currently, the project has adopted four research themes:

- (1) Analysis of transfer and incidence of corporate taxes.
- (2) Economic impact of tax-based public pension systems: Simulation analysis using multi-sector overlapping generations model.
- (3) Analysis of social security and taxation.
- (4) Local taxation corresponding to changes in socio-economic structures: In light of the relation between local taxes and local allocation taxes.

<Major Research Results>

Discussion Paper

- Estimation of Future Tax Revenue (HASHIMOTO Kyoji and Sunchung OH) (DP No.:08-J-033)
- Tax and Insurance Premiums as Financial Resources for Social Security (IWAMOTO Yasushi) (DP No.:08-J-034)
- The Efficiency versus Equity Trade-off: Observations from Survey Data (MORIKAWA Masayuki) (DP No.:08-J-036)
- Dynamic Applied General Equilibrium Analysis for Fiscal Reconstruction based on a Multi-Sector Overlapping Generations Model (KIMURA Shin and HASHIMOTO Kyoji) (DP No.:08-J-041)
- Gasoline Tax Rates from the Perspective of Optimal Taxation Theory: Comparison among Japan, the U.S., and the UK (KAWASE Akihiro) (DP No.:08-J-045)

Policy Discussion Paper

- Social Security, Tax Systems, Income Distribution, and Economic Growth—Back of the Envelope Calculation of the Effects of Policies (MORIKAWA Masayuki) (PDP No.:08-P-004)



A-5) The Frontier of Corporate Governance Analysis: Economic Analysis of M&A and Corporate Governance
MFJ-RIETI-WASEDA International Conference
"Organization and Performance: Understanding the Diversity of Firms" (2008/11/14)

Introduction of Research Projects

A-7) Reform of Labor Market Institutions

Project Leader: TSURU Kotaro, SF

<Overview>

In order to study a new "form" for Japan's labor market institutions, and types of reform, we will organize a study group that will conduct theoretical and empirical research from various perspectives such as law, economics and management. While looking broadly at labor market institutions as a whole, we will also look into the interrelationships of each constituent part, and in particular will make suggestions regarding a comprehensive system of labor laws from a standpoint that transcends vertical segmentation and boundaries. When conducting our analysis we will fully embrace international viewpoints and methods of analysis, including experiences from Europe and elsewhere, and will attempt to elucidate the relationships between labor laws and institutions and the labor market and employment systems, and in turn the relationship (including the issue of non-regular employment) with economic performance.

<Major Research Results>Discussion Paper

- Labor Market Institution Reform in Japan: Problems and Recommendations (TSURU Kotaro) (DP No.:08-J-015)
- Labor Market Reform and Labor Law (KOJIMA Noriaki) (DP No.:08-J-016)
- Does Employment Protection Reduce Productivity?: An Analysis Using Basic Survey of Japanese Business Structure and Activities Microdata (OKUDAIRA Hiroko, TAKIZAWA Miho and TSURU Kotaro) (DP No.:08-J-017)
- Basis and Direction of Labor Law Reform: Japan and the Debate in Europe and the United States (MIZUMACHI Yuichiro) (DP No.:08-J-018)
- Economic Analysis of Long Working Hours (OHTAKE Fumio and OKUDAIRA Hiroko) (DP No.:08-J-019)
- Changes in Corporate Organization and Issues in Labor Law (SHIMADA Yoichi) (DP No.:08-J-020)
- Dispute Resolution Systems and Collective Communication: From the Perspective of Disputes over Dismissal (KAMBAYASHI Ryo) (DP No.:08-J-021)
- Age-Free Law and Policy: A Labor Market Approach or an Approach of Guaranteeing Human Rights (MORITO Hideyuki) (DP No.:08-J-022)
- Reform of the Labor Market (YASHIRO Naohiro) (DP No.:08-J-040)
- How Has Labor Law Come to Grips with the Reform of Labor Market Institutions? (SUWA Yasuo) (DP No.:08-J-048)
- The Reform of Labor Market Institutions from the Perspectives of Law and Economics (HIGUCHI Yoshio) (DP No.:08-J-056)
- Fairness Today: From the Perspective of Organizational Justice (MORISHIMA Motohiro) (DP No.:08-J-060)

Publications

Labor Market Institutions Reform in Japan, written and edited by TSURU Kotaro, HIGUCHI Yoshio and MIZUMACHI Yuichiro, Nippon Hyoronsha Co., Ltd., March 2009

RIETI Policy Symposium

"Labor Market Institutions Reform in Japan" (2008/04/04)



A-7) Reform of Labor Market Institutions
RIETI Policy Symposium
"Labor Market Institutions Reform in Japan" (2008/04/04)

A-8) Research on Sustainable Local Economic Systems

Project Leader: NAKAMURA Ryohei, FF

<Overview>

Although the Japanese economy remains on a recovery path, local economies are experiencing growing interregional disparities and this makes the recovery trend a mottled picture. The purpose of this project is to undertake the following four analyses with an intention to establish sustainable local economic systems: (1) analysis of recycling systems in local economies; (2) prerequisite for sustainable local economies: capital and concentration; (3) prerequisite for sustainable local economies: local economic scale; and (4) overview and examination of theory of interregional disparities. Regarding (1), we have investigated Kurashiki City as a sample locality. The next step will be to develop a non-competitive entry type urban input-output table to be used in analyzing what constitutes a desirable industrial structure. Regarding (2), we are studying the relationship between urban compactness and sustainability. This study is based on detailed data from the Population Census and Census of Commerce, and takes into account our analysis of urban layout. Regarding (3) and (4), we are currently developing a disparity analysis model designed to use microdata for empirical analysis. The model under development draws on endogenous growth theories and new economic geography models.

<Major Research Results>

Discussion Paper

- Changes in Agglomeration Economies and Linkage Externalities for Japanese Urban Manufacturing Industries: 1990 and 2000 (NAKAMURA Ryohei) (DP No.:08-E-040)

Policy Discussion Paper

- Building Sustainable Local Economic Systems—Economic Structural Analysis based on Surveys Conducted in Kurashiki City (NAKAMURA Ryohei and MORITA Manabu) (PDP No.:08-P-011)

A-9) Study of a Self-Supporting Regional Economic System

Project Leader: NAKAMURA Ryohei, FF

<Overview>

Achievement of regional economic autonomy in an open system requires abilities to utilize regional resources (comparative advantage), to attract funds into the region (export power), and to prevent the outflow of funds from the region (circulatory capacity). Furthermore, regional economic innovation is required for sustainable autonomy. Adopting this perspective, this project will conduct research focusing on the following three areas.

- (1) Analysis of regional agglomeration capable of achieving autonomy: The question of how to obtain funds from outside the region will be analyzed by considering the relation between the role of supply-side inputs and technological progress. The externalities of the following three major factors which can facilitate agglomeration will be quantitatively analyzed by using industry statistics and other microdata: "leakage of knowledge," "associative effects" and "sharing of factors."
- (2) Analysis of necessary scale in achieving regional autonomy: The NEG model will be used to examine causal factors in regional disparity undertaken separately for market and supply potential. Furthermore, taking into consideration future possibilities for the adoption of a "doshusei" or regional administrative system, the potential impact of regional integration will be estimated.
- (3) Endogenous resolution of regional disparities: Disparities among regions should be rectified through endogenous resolution based on exchanges of differences derived from comparative advantage between major metropolitan areas and outlying regions rather than relying on the implementation of policies that are exogenous to the region. One source of comparative advantage for the regions would be environmental assets. The project will use the NEG model to undertake simulation analysis and to identify relevant policy implications.

Introduction of Research Projects

A-10) The "Enterprise Law" as an Infrastructure for the Incentive Bargain of the Firm

Project Leader: SHISHIDO Zenichi, FF

<Overview>

We have frequently discussed the question, "To whom does the company belong" in corporate governance theories. However, henceforth, it will be necessary to engage in this discussion from a different perspective: that is, what is the optimal incentive mechanism for the providers of the essential resources needed in corporate activities (managers and employees as human capital providers and shareholders and creditors as monetary capital providers. The legal system is a key part of the infrastructure that affects the outcome of incentive bargaining. However, because the legal system consists of numerous sub-divisions, no attempt has been made in the past to deal with "enterprise law" as an integrated incentive structure. In this project, Japanese and foreign experts are brought together to undertake a restatement of enterprise law, covering corporate law, insolvency law, securities law, labor law and tax law.

<Major Research Results>

RIETI Seminar

"Enterprise Law as the Infrastructure of an Incentive Mechanism : Implications for New Japanese Corporate Governance System" (2009/02/05)

RIETI International Seminar

"Lessons from SOX Act and Perspectives for J-SOX: Effects of the Legal System on Corporate Activities" (2008/06/25)

Project URL

Enterprise Law as a Structure for Incentives (http://www.rieti.go.jp/en/projects/enterprise_law/index.html)

A-11) Universities of the Future from Social and Economic Perspectives

Project Leader / Sub-Leader: TAMAI Katsuya, FF / AKAI Nobuo, FF

<Overview>

Japanese universities have undergone important changes in recent years, such as the incorporation of national universities as independent administrative institutions beginning in April 2005. However, it can hardly be said that all problems have been solved through these institutional reforms. The following are some of the issues and problems that remain to be addressed: the *raison d'être* of national universities; the interrelation between "education" and "research" and the allocation of resources; the allocation of operating grants and competitive research funds; a framework for university governance conducive to competition and constructive rivalry among national universities; and the management of national university hospitals. These issues not only affect the future of Japan's ivory towers, but also have an important bearing on the future of Japan's economy and society in the 21st century. The purpose of this project is to develop a framework for considering the above issues. Currently, we are engaged in researching the following themes:

- (1) Current conditions and outlook for the performance of national universities and the allocation of funds;
- (2) Current conditions and issues related to the governance of national universities; and
- (3) Universities and local economies.

<Major Research Results>

RIETI Policy Symposium

"Universities of the Future from Social and Economic Perspectives" (2008/05/30)



A-10) The "Enterprise Law" as an Infrastructure for the Incentive Bargain of the Firm
RIETI Seminar
"Enterprise Law as the Infrastructure of an Incentive Mechanism: Implications for New Japanese Corporate Governance System" (2009/02/05)



A-11) Universities of the Future from Social and Economic Perspectives
RIETI Policy Symposium
"Universities of the Future from Social and Economic Perspectives" (2008/05/30)

A-12) Study of Entrepreneurs and Latent Entrepreneurs

Project Leader: YASUDA Takehiko, FF

<Overview>

The level of entrepreneurial activity in Japan, as measured in terms of the start-up ratio, has increased slightly since the start of the 21st century, but still remains at the lowest level in international comparisons. Given the important link between entrepreneurial activity and innovation, the current situation needs to be rectified as quickly as possible. With this in mind, the government has introduced policy lending programs and various other measures to increase start-ups. Though such policy measures should presumably be based on the information like conditions affecting entrepreneurship and obstacles to the start-ups, not enough is known in Japan compared to the U.S. and Europe due to data constraints. In particular, almost nothing is known about "latent entrepreneurs" whose behavior determines the future level of a country's entrepreneurial activities. The purpose of this project is to investigate the current conditions of entrepreneurs and latent entrepreneurs in Japan. The microdata obtained from the investigation will be used in statistical analysis to determine how the level of entrepreneurial activity can be raised and where current problems and obstacles lie.

A-13) Theoretical Analysis of Policies toward Global Warming under Open Economies

Project Leader: ISHIKAWA Jota, FF

<Overview>

Signatories of the Kyoto Protocol are considering and implementing various policies to achieve their reduction goals. Recently, there has been considerable activity in developing a new framework for after the first commitment period. Representative policies for countering global warming include emissions taxes and emissions quotas. These two policies generally yield equivalent results in a closed economy. However, recent theoretical research indicates that equivalency is not achieved in an open economy (for example, see Kiyono and Ishikawa, 2004 and Ishikawa and Kiyono, 2006). Particularly important is the problem of carbon leakage, which points out that while greenhouse gas reduction policies in one country may reduce that country's emissions, this may indirectly increase emissions in other countries. Furthermore, it cannot be said that adequate theoretical research has been conducted concerning the combination of emissions trading and emissions quotas. While emissions trading systems have been tried on various levels, with the exception of the EU, the establishment of large-scale emissions trading systems has been delayed. The purpose of this project is to examine and to gain new perspectives on issues related to the carbon leakage problem and emissions trading systems particularly within the framework of an open economy.

A-14) The Design of an International Institution to Prevent Global Warming

Project Leader: FURUSAWA Taiji, FF

<Overview>

It has proven difficult to take effective and concerted international action against global warming because of different interpretations of the mechanisms of global warming and because countermeasures require current generations to "sacrifice" themselves for future generations. Under these conditions, it is not enough for the international cooperative framework to include retaliatory and punitive provisions. Rather, it becomes necessary to maintain an incentive for cooperation by making a moral appeal. Hudec (1990) states that compliance with GATT laws is based on the two factors of "moral and political response to international obligations" and the "threat of retaliatory measures." The purpose of this project is to theoretically explore cooperation promoting systems that are based on the soft and hard imperatives of moral action and retaliation.

As has been pointed out with respect to the Kyoto Protocol, building a mechanism to tackle global warming involves a free-rider problem. Issues related to participation in cooperative initiatives as examined by Maruta and Okada (2005) and Furusawa and Konishi (2008) will be taken into account in developing our model. Environmental policies (such as a carbon tax) and trade policies (such as import tariff) must be simultaneously considered in designing international systems to prevent global warming. A crucial issue in policy choice involves the question of whether optimal contracts will bind both environmental and trade policies or either of the two. The project will also consider these choices in light of Horn, Maggi and Staiger (2006).

Introduction of Research Projects

A-15) Empirical and Internationally Comparative Institutional Analysis of the Forms of Administrative and Financial Systems for Utilizing Infrastructure Assets to Invigorate Local Economies in an Era of Decentralization and International Competition: A Study of the Administrative and Financial Systems and Governance Systems in Operation at Local Ports and Harbors

Project Leader: AKAI Nobuo, FF

<Overview>

The maturation of society and the diversification of needs have made it necessary for Japan to adopt institutional reforms that will allow local governments to manage their administrative and fiscal systems more efficiently under their own discretion and responsibility. Such reforms require the proper division of functions and roles between central and local governments, governance by the citizens and administrative accountability, and the appropriate re-assignment of functions between the private and public sectors. In this context, ports and harbors constitute infrastructure assets with an important role to play in local economic management. However, this is an area where the division of functions between central and local governments remains ambiguous. Sufficiently flexible administrative and fiscal systems that would allow local governments, acting alone or in cooperation, to manage such facilities under their own discretion and responsibility for the purpose of revitalizing their local economies have yet to be developed.

From a fiscal perspective, ports and harbors have been constructed under the financial supports of the central government's Port Development Special Account. However, to date, no analysis has been undertaken on the following matters: survey of the theoretical treatment of the impact of disbursements from special accounts; detailed review of the financial statements of the Port and Harbor Development Special Account; estimation of the potential redistribution effect of transfers to individual ports and harbors; and the impact of the central government's port and harbor development subsidies on ex-post management efficiency of regional ports and harbors.

Adequate accounting indicators have not been developed for the financial accounting of regional ports and harbors. As a result, local citizens have not been provided with a full explanation of how these facilities are managed and operated (lack of accountability). Adequate theoretical and empirical analysis has not been conducted on how lack of accountability and government regulation of ports and harbors impacts modes of ownership, inter-regional cooperation, the operational efficiency of regional ports and harbors, and forward-looking activities of local governments. In this project, we adopt a different approach from past studies to examine various aspects of administrative and fiscal systems that would be conducive to efficient management of regional ports and harbors and to the revitalization of local economies.

A-16) Globalization, Innovation, and Competition Policy

Project Leader / Sub-Leader: KAWAHAMA Noboru, FF / OHASHI Hiroshi, FF & NISHIGAKI Atsuko, SF

<Overview>

Over the past few years, interest in competition policy based on the enforcement of anti-monopoly laws has grown very rapidly throughout Asian countries and other parts of the world. Faced with a new market environment characterized by economic globalization, countries throughout the world are being forced to radically change their positions on competition policy and the management of such policies based on competition laws. In the case of Japan, the role of the competition policy is becoming increasingly important because maintaining economic vitality under conditions of declining fertility and an aging population requires the promotion of innovation through the full utilization of market competition. The purpose of this project is to examine the competition policy in an environment where globalization and innovation have gained critical importance. This project will comprehensively examine the competition policy from the perspectives of law, economics and government administration, while taking into account related developments in other countries.

A-17) Supply of Risk Capital in Japan and Related Policy Issues

Project Leader / Sub-Leader: MURAMOTO Tsutomu, FF / YOSHINO Naoyuki, FF

<Overview>

The purpose of this project is to examine, from a policy perspective, how risk capital can be supplied to small and medium enterprises (SMEs) and local economies during the current financial crisis. Policy evaluation will be conducted with an aim to formulate policy recommendations to the extent possible. With these objectives in mind, the following questions will be analyzed from the perspective of SME-related policies: (1) how can funds be supplied to local economies and to local SMEs in particular? and (2) what should be the source of such funds?

Under the existing systems, the supply of risk capital is clearly provided for in locally specific financing programs (relationship banking) in the form of financing and loans for startups. Because certain credit risks cannot be fully covered in indirect financing, efforts have been made to utilize capital funds and hybrid lending (upside return-type financing). However, the scale of these types of funding is extremely small compared to total lending by financial institutions. Under these conditions, it is critically important to analyze the feasibility of supplying risk capital through relationship banking. This project intends to examine the following issues:

- 1) Verification of local funding needs (defining the concept of "local" and gauging funding needs).
- 2) Conditions and effectiveness of funding provided by the Organization for SMEs and Regional Innovation.
- 3) Effectiveness of innovative financing (hybrid financing, securitization, etc.).
- 4) Government involvement in supporting local start-up businesses (role of the government-affiliated financial institutions, interrelation and competition among local financial institutions, etc.).
- 5) Methods essential to the development of relationship banking (intellectual assets as soft information, business evaluation of intellectual assets).
- 6) New types of local initiatives (resident-participatory projects, financial NPOs, nursing care businesses and other schemes for the introduction of private funds).
- 7) Examination of advanced methods in foreign countries (revenue bonds, etc.).

Other Research Results in Adjacent Basic Research Area A

Policy Discussion Paper

- Current Situation and Problems in European Common Energy Policies (KAINOU Kazunari) (PDP No.:08-P-001)

Regulatory Reforms and Evaluation Frameworks for Deregulation

RIETI will research the remaining regulatory reforms to be tackled and develop microeconomic models for objective assessment of government policies.

Introduction of Research Projects

B-1) Economic Analysis of Markets and Networks in Electricity Power Reform

Project Leader / Sub-Leader: HATTA Tatsuo, FF / TANAKA Makoto, FF

<Overview>

This project is aimed at providing academic support to the process of electric power industry reform in Japan. For this purpose, the latest available transactions data will be used to conduct economic analyses of institutional and systemic designs for electric power markets and power transmission networks as well as performance assessment. In past years, this project focused on developing and refining a number of models for conducting quantitative evaluation and analysis. Combining these models with the actual transactions data that is now being accumulated, the project will successively undertake detailed quantitative evaluation and analysis of such practices as retail bidding and wholesale electric power transactions. Regarding problems related to specific institutional and systemic designs pertaining to markets and networks, the project will conduct surveys and applied research with an emphasis on applicability to reality while taking maintenance of reliable supplies of electric power into consideration. The scope of research will be further expanded to include quantitative evaluation and analysis of gas markets, which have a close relationship with electric power markets.

<Major Research Results>

Discussion Paper

- Comparative Analysis of the Internal Price Gap in Community Gas and General Gas Businesses (KAINOU Kazunari) (DP No.:08-J-023)
- Forward and Spot Markets for Electricity and Emissions Trading (TANAKA Makoto) (DP No.:08-J-063)

B-2) Simulation Models for Policy Evaluation

Project Leader: KANEMOTO Yoshitsugu, FF

<Overview>

The aim of this project is to develop evaluation methodologies (tool boxes) that can be used on the frontlines of the policy-making process. Specifically, we aim to assess the benefits and costs of each policy option, by using small-scale microeconomic models that are understandable, actionable, and facilitate the policy-making process. During fiscal 2008 the project will primarily focus on countermeasures to global warming and the Japanese-style electric power market liberalization. Regarding countermeasures to global warming, we will analyze the effects of such policies in the consumer sector and other designated fields. Regarding the liberalization of the electric power markets, we will develop models reflecting the characteristics of Japan's institutional and systemic designs and use these in evaluating various policy options.

<Major Research Results>

Discussion Paper

- A Simulation Analysis of Electricity Markets: Cournot Oligopoly and New Entry of Large-Scale Generators in the Extra-High Voltage Commercial Electricity Market (TANAKA Makoto and KANEMOTO Yoshitsugu) (DP No.:08-J-064)

B-3) Background and Impact of the Surge in Oil Prices in Recent Years

Project Leader: HASEGAWA Eiichi, SF

<Overview>

Oil prices gradually moved downward after the events of September 11, 2001 and fell below the \$20 per barrel mark in 2002. Thereafter, this trend was reversed and oil prices began to rise rapidly and broke through the \$100 mark at the outset of 2008. The study aims to identify the background of these developments, the impact both on oil producing and oil importing countries as well as on the global economy, and the political impact on the Middle East and the entire world. The destabilization of Middle Eastern countries, the resurgence of Russia, marked increase in oil consumption in China and India, and the status of the U.S. dollar as a key currency are all parameters with far-reaching global consequences. Japan, heavily dependent on foreign sources of energy and committed to being a participant in the international economy, has an extremely important stake in these developments.

<Major Research Results>

Policy Discussion Paper

- Background and Impact of the Surge in Oil Prices in Recent Years (HASEGAWA Eiichi) (PDP No.:08-P-008)

Publications

Rivalry for Oil among Nations, written by HASEGAWA Eiichi, Minerva Shobo, February 2009



Introduction of Research Projects

B-4) Consumer Policy and Market Norms

Project Leader: TANI Midori, SF

<Overview>

It appears that Japan has been experiencing a weakening of "market norms" in recent years as a result of the diversification of consumer transactions. Jointly created and supported through the efforts of the government and market participants such as consumers and businesses, "market norms" contribute to the development and stability of the entire economy and society by directing the activities of businesses in a direction that will add to the welfare of society as a whole. This project addresses the questions of what are "market norms" and what types of consumer policies will contribute to the development and stability of such "market norms." Using these questions and recent consumer related problems as a starting point, this project will undertake an analysis of laws and economics based on game theory. In addition, related literature in the fields of law, economics, sociology, political science, philosophy and others will be surveyed, and recent policy cases pertaining to consumer fraud and product safety issues will be examined.

<Major Research Results>

Policy Discussion Paper

► Consumer Policy and Market Norms: Routes of Socioeconomic Development Abstracted from Literature concerning Consumer Fraud and Product Safety (TANI Midori) (PDP No.:08-P-003)

B-5) Searching for Optimal Level of Copyright Protection

Project Leader: TANAKA Tatsuo, FF

<Overview>

The development of digital technologies and networks has led to the proliferation of copyright infringement. Robust copyright protection is now viewed as a prerequisite in many types of businesses. From this perspective, it can be argued that stronger protection contributes positively to a knowledge-based economy. On the other hand, new services are being created in areas of weak copyright protection, such as YouTube and search engines, and businesses are emerging from copyright grey zones. This underscores to the argument that copyright restrictions prevent the birth of new industries and businesses. From this perspective, it can be argued that weaker protection stimulates creativity and heightens economic welfare. So, which of these opinions is correct?

A critical point in addressing this issue relates to the following question: At current levels of protection, what impact does the burning of personal copies have on the sale of the original product? If there is a serious reduction in sales, it would be better to strengthen copyright protection at the expense of hampering the emergence of new businesses. On the other hand, if sales are not seriously impacted, it would be better to ignore the burning of personal copies and promote the development of new businesses.

The purpose of this project is to empirically verify this question. As considerable research has already been done in the area of music software, this project will focus on video content. Specifically, we will examine the extent to which coverage of television programs (animation) and music on YouTube, Nico Nico Douga and Winny negatively affect the revenues of copyright owners. A reduction in revenues could justify the introduction of stronger protection. However, if revenues have not declined, these new services should not be restricted, and from an economic perspective, it would be desirable to capitalize on the new business opportunities created by such services.

B-6) Economic Analysis of Resource Management in the Fisheries Industry

Project Leader / Sub-Leader: TAKARADA Yasuhiro, FF / MANAGI Shunsuke, FF

<Overview>

The purpose of this project is to evaluate the performance and system of fishery resources management, primarily from an economic perspective, with the aim of contributing to the sustained use of Japan's fishery resources. With the reduction in fishery resources and ongoing changes in the international economic environment, the output of Japan's domestic fishery industry has dropped sharply in recent years. This situation calls for the implementation of new measures. As seen from the fact that the second report of the Council for the Promotion of Regulatory Reform (December 2007) explicitly refers to reforming the management of fishery resources, this constitutes an important theme that must be dealt with promptly in order not to miss the opportunity for making policy recommendations.

This project will carefully examine and analyze the factors contributing to the declining output of Japan's domestic fishery industries in order to evaluate and analyze fishery resources management systems. In the past, Japan's fishery resources have been primarily evaluated and analyzed from the perspective of biological resource management, while limited attention has been paid to the economic perspective. Determining the economic impact of fishery resources management systems will enable the evaluation of various types of systems from an economic perspective, which will contribute to design and formulation of fishery resources management systems.

By conducting quantitative evaluation and analysis for use in administrative reform discussions and by developing concrete policy recommendations, this project is expected to help establish new directions in fishery resources management systems with an emphasis on the economic perspective.

B-7) Progress in the Introduction of Nuclear Power Generation in East Asia and the Current Situation and Challenges in International Cooperation for Ensuring Nuclear Safety

Project Leader: SAGARA Nozomi, SF

<Overview>

The world is currently in the midst of what has been called a renaissance in nuclear power generation. In the East Asian region, a total of 90 nuclear power plants are presently operating in Japan, China and South Korea. Among such emerging economies as Indonesia, Vietnam and Thailand, plans are moving forward for the introduction of nuclear power plants within seven to thirteen years. As such, nuclear power related policies have advanced to the point where they must be approached from a comprehensive perspective that covers all aspects of a nuclear power program, beginning in the planning stage and extending through to safety regulations in the operational stages. This requirement applies equally to domestic and international programs. Against this backdrop, activities for international policy harmonization in this field have been moving forward on a number of levels involving international organizations and sub-global, regional and bilateral initiatives. This project focuses on the East Asia region and attempts to determine the types of coordinating functions indispensable for international policy harmonization initiatives and the measures that Japan should implement to promote appropriate nuclear power generation introduction plans in the region while ensuring safety.



Compilation of Micro Panel Data on Firm Activities, Trade, Energy, and the Elderly; and Model Building and Operation

Microdata will be reinforced and improvements will be made on model operation in the fields of trade, pensions, energy, and the environment. This will strengthen the necessary infrastructure for RIETI's research.

Introduction of Research Projects

C-1) Building of GCE Model for East Asia that Introduces Economies of Scale

Project Leader / Sub-Leader: BAN Kanemi, FF / HISATAKE Masato, CF

<Overview>

The rapid pace of economic development and integration in East Asia has had a major impact on the entire Japanese economy as well as its local economies. The purpose of this project is to develop an applied general equilibrium model for both the national and local levels, and to quantitatively evaluate how economic development is affecting local economies in Japan and other countries. In the model to be developed, we will put emphasis on analyzing the changes in industrial structure that occur in the context of economic integration, while taking into account the economies of scale and imperfect competition. Particular attention will be paid to the analysis of the increase in regional disparities resulting from decentralization policies being pursued in various countries. This project ultimately aims to provide a highly transparent framework for facilitating consensus building on the national and local levels. For this purpose, the project will examine how policy responses in individual countries affect the economic structure of the East Asian region in the context of a dual structure of national and local economies. This examination will use welfare criteria based on the perspective of local economies.

<Major Research Results>

Discussion Paper

- The Impact of Trade Liberalization on Regional Economy: Computable General Equilibrium Analysis based on an Inter-Regional Input-Output Table (TAKEDA Shiro and BAN Kanemi) (DP No.:08-J-053)
- Productivity Shocks and National Food Security for Japan (TANAKA Tetsuji and HOSOE Nobuhiro) (DP No.:09-E-004)

C-2) Development of Support Systems for Economic and Industrial Policy Analysis and Evaluation

Project Leader: KAINOU Kazunari, F

<Overview>

Due to the termination of the economic information system of RIETI, we try to establish a brand-new system to support quantitative policy analysis, evaluation, planning and design. Taking into account the demand in economic and industrial policy makers, we set the goal of this project to develop a systematically organized and integrated database that incorporates useful statistical data and processed data, as well as knowledge learned from research activities. And we aim to develop user support systems enabling policy makers without expert knowledge and researchers without prior knowledge of policies an effective use of the database.

<Major Research Results>

Discussion Paper

- Dynamic Analysis of Price Pass-Through Accompanying Events such as Steep Rises in Crude Oil Prices (KAINOU Kazunari) (DP No.:08-J-061)
- Economic Study regarding the System of Cost Measures for the Transmission and Storage of Renewable Electricity (KAINOU Kazunari) (DP No.:09-J-001)

Policy Discussion Paper

- A Survey on Productivity Analysis Using Microdata—Impact of Entry, Exit, Economic Globalization, Innovation and Systemic Reform (MATSUURA Toshiyuki, HAYAKAWA Kazunobu and KATO Masatoshi) (PDP No.:08-P-007)

C-3) RIETI Data Management Project

Project Leader: KONISHI Yoko, F

<Overview>

The data in RIETI's possession can be categorized as follows: data available at relatively low cost, which research institutions would ordinarily be expected to have on hand; large-scale data sets purchased by individual research projects for use in their research; and data generated by these research projects (including the results of questionnaire surveys). The purpose of this project is to develop infrastructure for facilitating the more efficient utilization of these datasets by users. An additional purpose of this project is to serve as a forum for active discussion of related topics within RIETI, with an eye to considering the possibility as well as methods to make these datasets available to both researchers and the public at large as a source of new knowledge. Having accumulated considerable expertise in handling microdata being in the possession of METI, we will also try to create converters for statistics data matching that enable researchers to quickly access and analyze microdata.

Note: Discussion Papers listed below were published from April 2008 to March 2009.

Discussion Papers

Discussion Papers are research results formed in the shape of treatises which principally have been through an internal review process. To stimulate active debates, they are posted on our website (http://www.rieti.go.jp/en/publications/act_dp.html).

DP No.	Date	Title	Authors	Project No.
Written In Japanese				
09-J-004	2009/3	Effects of Longevity on Pension Finances	NAKATA Daigo (RIETI) HASUMI Ryo (Japan Center for Economic Research)	I-8
09-J-003	2009/1	State of Necessity as an Economic Safeguard Clause under Investment Treaties: Limitations and Implications as Seen in the Argentine Economic Crisis Cases	KAWASE Tsuyoshi (RIETI/Sophia University)	III-9
09-J-002	2009/1	The Software Industry's Multilayered Subcontracting Structure: Empirical Analysis of Innovation and Productivity	MINETAKI Kazunori (Kansai University) MOTOHASHI Kazuyuki (RIETI/University of Tokyo)	I-3
09-J-001	2009/1	Economic Study regarding the System of Cost Measures for the Transmission and Storage of Renewable Electricity	KAINOU Kazunari (RIETI)	C-2
08-J-065	2008/12	Is Aid Allocation Consistent with Global Poverty Reduction?: A Cross-Donor Comparison	SAWADA Yasuyuki (RIETI/University of Tokyo) YAMADA Hiroyuki (IMF) KUROSAKI Takashi (Hitotsubashi University)	III-4
08-J-064	2008/12	A Simulation Analysis of Electricity Markets: Cournot Oligopoly and New Entry of Large-Scale Generators in the Extra-High Voltage Commercial Electricity Market	TANAKA Makoto (RIETI/GRIPS) KANEMOTO Yoshitsugu (RIETI/University of Tokyo)	B-2
08-J-063	2008/12	Forward and Spot Markets for Electricity and Emissions Trading	TANAKA Makoto (RIETI/GRIPS)	B-1
08-J-062	2008/12	Corporate Organizational Reform and Corporate Performance: Empirical Analysis based on Interviews with Tokyo-Area Firms	MIYAGAWA Tsutomu (RIETI/Gakushuin University) OZAKI Masahiko (RIETI) KAWAKAMI Atsushi (Gakushuin University) EDAMURA Kazuma (Hitotsubashi University)	II-11
08-J-061	2008/11	Dynamic Analysis of Price Pass-Through Accompanying Events such as Steep Rises in Crude Oil Prices	KAINOU Kazunari (RIETI)	C-2
08-J-060	2008/10	Fairness Today: From the Perspective of Organizational Justice	MORISHIMA Motohiro (Hitotsubashi University)	A-7
08-J-059	2008/10	The Impact of Expectations of the Transfer of Agricultural Land to Other Uses on the Management Scale and Productivity of Rice Cultivation	SAITO Keiji (National Institute of Science and Technology Policy) OHASHI Hiroshi (RIETI/University of Tokyo)	I-1
08-J-058	2008/11	The Productivity Dynamics of Japanese Commerce: An Empirical Analysis based on Microdata from the Basic Survey of Japanese Business Structure and Activities	Hyeog Ug KWON (RIETI/Nihon University) Young Gak KIM (Hitotsubashi University)	II-12
08-J-057	2008/10	The Stickiness of Company Shipping Prices: Analysis based on Questionnaire and POS Data	ABE Naohito (Hitotsubashi University) TONOGI Akiyuki (Hitotsubashi University) WATANABE Tsutomu (RIETI/Hitotsubashi University)	A-1
08-J-056	2008/10	The Reform of Labor Market Institutions from the Perspectives of Law and Economics	HIGUCHI Yoshio (Keio University)	A-7
08-J-054	2008/10	The Decline in Capital Utilization and TFP in the 1990s	MIYAZAWA Kensuke (University of Tokyo)	I-1
08-J-053	2008/9	The Impact of Trade Liberalization on Regional Economy: Computable General Equilibrium Analysis based on an Inter-Regional Input-Output Table	TAKEDA Shiro (Kanto Kakuen University) BAN Kanemi (RIETI/Osaka University)	C-1
08-J-052	2008/9	Statistical Analysis of Price Fluctuations in the Online Market	MIZUNO Takayuki (Hitotsubashi University) WATANABE Tsutomu (Hitotsubashi University)	A-1
08-J-051	2008/9	Overemployment: The Structure, Determinants, and Countermeasures of Involuntarily Long Work Hours	YAMAGUCHI Kazuo (RIETI/University of Chicago)	I-Others
08-J-050	2008/9	Why Has Japan's TFP Growth Recovered?: An Empirical Analysis based on the Basic Survey of Japanese Business Structure and Activities	Hyeog Ug KWON (RIETI/Nihon University) Young Gak KIM (Hitotsubashi University) FUKAO Kyoji (RIETI/Hitotsubashi University)	II-3
08-J-049	2008/9	How Does FDI in East Asia Affect Performance at Home?: Evidence from Electrical Machinery Manufacturing Firms	MATSUURA Toshiyuki (RIETI) MOTOHASHI Kazuyuki (RIETI/University of Tokyo) HAYAKAWA Kazunobu (IDE-JETRO)	I-3

08-J-048	2008/9	How Has Labor Law Come to Grips with the Reform of Labor Market Institutions?	SUWA Yasuo (Hosei University)	A-7
08-J-047	2008/9	The Impact of Deregulation in the Retail Sector: Implications for the Aging Society	UNAYAMA Takashi (Kobe University) KEIDA Masayuki (University of Tokyo)	I-1
08-J-046	2008/9	The Internationalization of Japanese Firms: New Findings based on Firm-Level Data	WAKASUGI Ryuhei (Kyoto University/RIETI) TODO Yasuyuki (University of Tokyo) SATO Hitoshi (IDE-JETRO) NISHIOKA Shuichiro (RIETI/West Virginia University) MATSUURA Toshiyuki (RIETI) ITO Banri (RIETI) TANAKA Ayumu (Kyoto University)	III-14
08-J-045	2008/9	Gasoline Tax Rates from the Perspective of Optimal Taxation Theory: Comparison among Japan, the U.S., and the UK	KAWASE Akihiro (Toyo University)	A-6
08-J-044	2008/9	Reform of Governance in Cooperative Financial Institutions: The Scale of Shinkin Banks' Boards of Directors and Management Performance	YAMORI Nobuyoshi (Nagoya University) TOMIMURA Kei (Nagoya University) HARIMAYA Kozo (Sapporo Gakuin University)	A-1
08-J-043	2008/9	Why the Female Labor Force Participation Rate in Metropolitan Areas is Low: A Reexamination of the Current Situation and of the Issues	HASHIMOTO Yuki (University of Tokyo) MIYAGAWA Shuko (RIETI)	I-1
08-J-042	2008/8	Demand Fluctuations and Productivity of Service Industries	MORIKAWA Masayuki (RIETI/METI)	II-12
08-J-041	2008/8	Dynamic Applied General Equilibrium Analysis for Fiscal Reconstruction based on a Multi-Sector Overlapping Generations Model	KIMURA Shin (Hokkaido University) HASHIMOTO Kyoji (RIETI/Kansai University)	A-6
08-J-040	2008/8	Reform of the Labor Market	YASHIRO Naohiro (International Christian University)	A-7
08-J-039	2008/8	Structural Modeling of the Value of Patent	SUZUKI Jun (RIETI/GRIPS)	II-1
08-J-038	2008/8	Number of Backward Patent Citations as a Quantitative Indicator of Prior Art	WADA Tetsuo (Gakushuin University)	II-1
08-J-037	2008/7	Structure of Economic Globalization: Multiple Games among Firms, Sovereign States, and International Organizations	SHIRAIISHI Shigeaki (RIETI)	III-11
08-J-036	2008/7	The Efficiency versus Equity Trade-off: Observations from Survey Data	MORIKAWA Masayuki (RIETI/METI)	A-6
08-J-035	2008/7	Impacts of Aid-Funded Technical Assistance Programs: Firm-Level Evidence from the Indonesian Foundry Industry	TODO Yasuyuki (University of Tokyo)	III-4
08-J-034	2008/7	Tax and Insurance Premiums as Financial Resources for Social Security	IWAMOTO Yasushi (RIETI/University of Tokyo)	A-6
08-J-033	2008/7	Estimation of Future Tax Revenue	HASHIMOTO Kyoji (RIETI/Kaisai University) Sunchung OH (Kansai University)	A-6
08-J-032	2008/10	Attribution of Conduct to a State in Investment Disputes: Conditions under which a State is Responsible for the Conduct of Local Governments, Para-Statal Entities and Public Corporations	NISHIMURA Yumi (Sophia University)	III-9
08-J-031	2008/7	How to Enhance the Productivity of Service Industries: Suggestions from Recent Studies and Agenda for Future Research	MORIKAWA Masayuki (RIETI/METI)	II-12
08-J-030	2008/7	What Do Japanese Unions Do for Productivity?: An Empirical Analysis Using Firm-Level Data	MORIKAWA Masayuki (RIETI/METI)	II-12
08-J-029	2008/7	Productivity and Survival of Family Firms in Japan: An Analysis Using Firm-Level Microdata	MORIKAWA Masayuki (RIETI/METI)	II-12
08-J-028	2008/6	Incentive Design of Investment Treaty Arbitration Procedures	SHIMIZU Takashi (University of Tokyo)	III-9
08-J-027	2008/6	Regulations and Indirect Expropriation: Major Criteria for Deciding Indirect Expropriations in Investment Treaty Arbitration	MATSUMOTO Kayo (RIETI)	III-9
08-J-026	2008/6	"Fair and Equitable Treatment" in Investment Treaties: Function of General Provisions	KOTERA Akira (RIETI/University of Tokyo)	III-9

08-J-025	2008/6	International Investment Arbitration and Parallel Proceedings: Focusing on Regulation and Coordination under National Law	NAKAMURA Tatsuya (Kokushikan University)	III-9
08-J-024	2008/6	Applicable Laws in ICSID Arbitration: Direct Application of International Law and its Implications	KOMETANI Kazumochi (Hosei University)	III-9
08-J-023	2008/6	Comparative Analysis of the Internal Price Gap in Community Gas and General Gas Businesses	KAINOU Kazunari (RIETI)	B-1
08-J-022	2008/5	Age-Free Law and Policy: A Labor Market Approach or an Approach of Guaranteeing Human Rights	MORITO Hideyuki (Sophia University)	A-7
08-J-021	2008/5	Dispute Resolution Systems and Collective Communication: From the Perspective of Disputes over Dismissal	KAMBAYASHI Ryo (Hitotsubashi University)	A-7
08-J-020	2008/5	Changes in Corporate Organization and Issues in Labor Law	SHIMADA Yoichi (Waseda University)	A-7
08-J-019	2008/5	Economic Analysis of Long Working Hours	OHTAKE Fumio (Osaka University) OKUDAIRA Hiroko (Osaka University/Japan Society for the Promotion of Science)	A-7
08-J-018	2008/5	Basis and Direction of Labor Law Reform: Japan and the Debate in Europe and the United States	MIZUMACHI Yuichiro (University of Tokyo)	A-7
08-J-017	2008/5	Does Employment Protection Reduce Productivity?: An Analysis Using Basic Survey of Japanese Business Structure and Activities Microdata	OKUDAIRA Hiroko (Osaka University/Japan Society for the Promotion of Science) TAKIZAWA Miho (Toyo University) TSURU Kotaro (RIETI)	A-7
08-J-016	2008/5	Labor Market Reform and Labor Law	KOJIMA Noriaki (Osaka University)	A-7
08-J-015	2008/5	Labor Market Institution Reform in Japan: Problems and Recommendations	TSURU Kotaro (RIETI)	A-7
08-J-014	2008/7	Breach of Contracts in Investor-State Arbitration based on International Investment Agreements	HAMAMOTO Shotaro (Kobe University)	III-9
08-J-013	2008/6	Categories of Rulings on Compensation and Reparation in the International Investment Arbitration: A Tentative Reclassification of Cases	TAMADA Dai (Okayama University)	III-9
08-J-012	2008/7	Objections to Jurisdiction and their Settlement in International Investment Arbitration	IWATSUKI Naoki (Rikkyo University)	III-9
08-J-011	2008/5	Types of Foreign "Investor" and "Investment" Covered by Arbitral Jurisdiction	ITO Kazuyori (University of Shizuoka)	III-9
08-J-010	2008/4	China's Exchange Rate Policy and Asian Currencies	ITO Takatoshi (RIETI/University of Tokyo)	III-5
08-J-009	2008/4	Currency Invoicing and Foreign Exchange Risk Management: A Case Study of Japanese Firms	ITO Takatoshi (RIETI/University of Tokyo) KOIBUCHI Satoshi (Chiba University of Commerce) SASAKI Yuri (Meiji Gakuin University) SATO Kiyotaka (Yokohama National University) SHIMIZU Junko (Senshu University) HAYAKAWA Kazunobu (IDE-JETRO) YOSHIMI Taiyo (Hitotsubashi University)	III-5
08-J-008	2008/4	Economies of Density and Productivity in Service Industries: An Analysis of Personal Service Industries based on Establishment-Level Data	MORIKAWA Masayuki (RIETI/METI)	II-12
08-J-007	2008/4	International Trade in Cultural Goods: Survey and Prospects	TANAKA Ayumu (Kyoto University)	III-1
Written in English				
09-E-011	2009/3	Commercialization and Other Uses of Patents in Japan and the U.S.: Major Findings from the RIETI-Georgia Tech Inventor Survey	NAGAOKA Sadao (RIETI/Hitotsubashi University) John P. WALSH (Georgia Institute of Technology)	II-1
09-E-010	2009/3	The R&D Process in the U.S. and Japan: Major Findings from the RIETI-Georgia Tech Inventor Survey	NAGAOKA Sadao (RIETI/Hitotsubashi University) John P. WALSH (Georgia Institute of Technology)	II-1
09-E-009	2009/3	Productivity, Returns to Scale and Product Differentiation in the Retail Trade Industry: An Empirical Analysis Using Japanese Firm-Level Data	KATO Atsuyuki (RIETI)	II-14
09-E-007	2009/2	IT, R&D and Productivity of Chinese Manufacturing Firms	MOTOHASHI Kazuyuki (RIETI/University of Tokyo) Yuan YUAN (University of Tokyo)	I-3

09-E-006	2009/2	Can East Asia be an Engine of Growth for the World Economy?	Willem THORBECKE (RIETI)	III - 3
09-E-005	2009/2	Technology Spillovers from Multinationals to Local Firms: Evidence from Automobile and Electronics Firms in China	MOTOHASHI Kazuyuki (RIETI/University of Tokyo) Yuan YUAN (University of Tokyo)	I - 3
09-E-004	2009/1	Productivity Shocks and National Food Security for Japan	TANAKA Tetsuji (University of London) HOSOE Nobuhiro (GRIPS)	C - 1
09-E-003	2009/1	TFP Growth Slowdown and the Japanese Labor Market in the 1990s	Julen ESTEBAN-PRETEL (University of Tokyo) NAKAJIMA Ryo (University of Tsukuba) TANAKA Ryuichi (Tokyo Institute of Technology)	A - 2
09-E-002	2009/1	Are Contingent Jobs Dead Ends or Stepping Stones to Regular Jobs? Evidence from a Structural Estimation	Julen ESTEBAN-PRETEL (University of Tokyo) NAKAJIMA Ryo (University of Tsukuba) TANAKA Ryuichi (Tokyo Institute of Technology)	A - 2
09-E-001	2009/1	On the Role of Policy Interventions in Structural Change and Economic Development: The Case of Postwar Japan	Julen ESTEBAN-PRETEL (University of Tokyo) SAWADA Yasuyuki (RIETI/University of Tokyo)	III - 4
08-E-040	2008/12	Changes in Agglomeration Economies and Linkage Externalities for Japanese Urban Manufacturing Industries: 1990 and 2000	NAKAMURA Ryohei (RIETI/Okayama University)	A - 8
08-E-039	2008/11	Aid Allocation across Sectors: Does Aid Fit Well with Recipients' Development Priorities?	KASUGA Hidefumi (Kansai University)	III - 4
08-E-038	2008/11	The Effect of Exchange Rate Changes on China's Labor-Intensive Manufacturing Exports	Willem THORBECKE (RIETI) Hanjiang ZHANG (University of Texas)	III - 3
08-E-037	2008/10	The Effects of Collateral on SME Performance in Japan	ONO Arito (Mizuho Research Institute Ltd.) SAKAI Koji (Hitotsubashi University) UESUGI Ichihiro (RIETI/Hitotsubashi University)	A - 1
08-E-036	2008/10	The Internationalization of Japanese Firms: New Findings based on Firm-Level Data	WAKASUGI Ryuhei (Kyoto University/RIETI) TODO Yasuyuki (RIETI/University of Tokyo) SATO Hitoshi (Institute of Developing Economies) NISHIOKA Shuichiro (RIETI/West Virginia University) MATSUURA Toshiyuki (RIETI) ITO Banri (RIETI) TANAKA Ayumu (RIETI/Kyoto University)	III - 14
08-E-035	2008/9	Productivity Dispersion: Facts, Theory, and Implications	AOYAMA Hideaki (Kyoto University) YOSHIKAWA Hiroshi (RIETI/University of Tokyo) IYETOMI Hiroshi (Niigata University) FUJIWARA Yoshi (NiCT/ATR CIS, Applied Network Science Lab.)	I - 1
08-E-034	2008/9	How Does FDI in East Asia Affect Performance at Home?: Evidence from Electrical Machinery Manufacturing Firms	MATSUURA Toshiyuki (RIETI) MOTOHASHI Kazuyuki (RIETI/University of Tokyo) HAYAKAWA Kazunobu (Institute of Developing Economies)	I - 3
08-E-033	2008/9	Corporate Investment and Uncertainty—An Empirical Analysis	SHINADA Naoki (Development Bank of Japan)	I - 1
08-E-032	2008/9	Economic Analysis of Irreversible Investment with Financial Constraints: Comparison of Parametric and Semiparametric Estimations	ASANO Hirokatsu (Asia University)	A - 2
08-E-031	2008/8	Monetary Policy Surprises and Interest Rates: Choosing between the Inflation-Revelation and Excess Sensitivity Hypotheses	Willem THORBECKE (RIETI) Hanjiang ZHANG (University of Texas)	III - 3
08-E-030	2008/8	Demand Fluctuations and Productivity of Service Industries	MORIKAWA Masayuki (RIETI/METI)	II - 12
08-E-029	2008/8	Cross-Regional Variations in Offshore Outsourcing Choices: Evidence from Firm-Level Data	TOMIURA Eiichi (RIETI/Yokohama National University) ITO Banri (RIETI) WAKASUGI Ryuhei (Kyoto University/RIETI)	III - 1

08-E-028	2008/8	Offshoring and Productivity: Evidence from Japanese Firm-Level Data	ITO Banri (RIETI) WAKASUGI Ryuhei (Kyoto University/RIETI) TOMIURA Eiichi (RIETI/Yokohama National University)	III - 1
08-E-027	2008/8	What Do Japanese Unions Do for Productivity?: An Empirical Analysis Using Firm-Level Data	MORIKAWA Masayuki (RIETI/METI)	II - 12
08-E-026	2008/7	Productivity and Survival of Family Firms in Japan: An Analysis Using Japanese Firm-Level Microdata	MORIKAWA Masayuki (RIETI/METI)	II - 12
08-E-025	2008/7	Is Aid Allocation Consistent with Global Poverty Reduction?: A Cross-Donor Comparison	SAWADA Yasuyuki (RIETI/University of Tokyo) YAMADA Hiroyuki (University of Cicago) KUROSAKI Takashi (Hitotsubashi University)	III - 4
08-E-024	2008/7	Impacts of Aid-Funded Technical Assistance Programs: Firm-Level Evidence from the Indonesian Foundry Industry	TODO Yasuyuki (RIETI/University of Tokyo)	III - 4
08-E-023	2008/7	Economies of Density and Productivity in Service Industries: An Analysis of Personal-Service Industries based on Establishment-Level Data	MORIKAWA Masayuki (RIETI/METI)	II - 12
08-E-022	2008/7	International Strategic Alliances for Local Market Entry: Direct Launches versus Marketing Alliances in Pharmaceuticals	TAKEUCHI Kazutaka (Hosei University)	III - 1
08-E-021	2008/7	Industrial Development, Firm Dynamics and Patterns of Productivity Growth: The Case of the Cotton-Spinning Industry in Prewar Japan, 1894-1924	OKAZAKI Tetsuji (RIETI/University of Tokyo)	I - 1
08-E-020	2008/7	Stable Wage Distribution in Japan, 1982-2002: A Counter Example for SBTC?	KAWAGUCHI Daiji (RIETI/Hitotsubashi University) MORI Yuko (Hitotsubashi University)	A - 2
08-E-019	2008/6	Monetization of Public Goods Provision—A Possible Solution for the Free-Rider Problem	KOBAYASHI Keiichiro (RIETI) NAKAJIMA Tomoyuki (University of Tokyo)	I - 2
08-E-018	2008/6	Nominal Rigidities, News-Driven Business Cycles, and Monetary Policy	KOBAYASHI Keiichiro (RIETI) NUTAHARA Kengo (University of Tokyo/JSPS)	I - 2
08-E-017	2008/6	Embodied Technological Progress and the Productivity Slowdown in Japan	TOKUI Joji (Shinshu University) INUI Tomohiko (Nihon University) Young Gak KIM (RIETI/Hitotsubashi University)	II - 3
08-E-016	2008/6	The Effect of Exchange Rate Volatility on Fragmentation in East Asia: Evidence from the Electronics Industry	Willem THORBECKE (RIETI)	III - 3
08-E-015	2008/5	On Equivalence Results in Business Cycle Accounting	NUTAHARA Kengo (University of Tokyo) INABA Masaru (RIETI)	I - 2
08-E-014	2008/5	The Evolution of the Productivity Disperison of Firms—A Reevaluation of its Determinants in the Case of Japan	ITO Keiko (Senshu University) Sébastien LECHEVALIER (EHES and Maison Franco-Japonaise)	II - 3
08-E-013	2008/5	Does Trade Liberalization Reduce Pollution Emissions?	MANAGI Shunsuke (Yokohama National University) HIBIKI Akira (National Institute for Environmental Studies, Japan) TSURUMI Tetsuya (Yokohama National University)	III - 6
08-E-012	2008/4	Do Competitive Markets Stimulate Innovation?: An Empirical Analysis based on Japanese Manufacturing Industry Data	INUI Tomohiko (Nihon University) KAWAKAMI Atsushi (Gakushuin University) MIYAGAWA Tsutomu (RIETI/Gakushuin University)	II - 3
08-E-011	2008/4	Impact of the Debt Ratio on Firm Investment: A Case Study of Listed Companies in China	Yuan YUAN (University of Tokyo) MOTOHASHI Kazuyuki (RIETI/University of Tokyo)	I - 3

Note: Policy Discussion Papers listed below were published from April 2008 to March 2009.

Policy Discussion Papers

Policy Discussion Papers have a strong link to timely policy issues that Japan is currently facing. Available only in Japanese (http://www.rieti.go.jp/jp/publications/act_pdp.html).

PDP No.	Date	Title	Authors	Project No.
08-P-011	2008/10	Building Sustainable Local Economic Systems—Economic Structural Analysis based on Surveys Conducted in Kurashiki City	NAKAMURA Ryuhei (RIETI/Okayama University) MORITA Manabu (Value Management Institute, Inc.)	A-8
08-P-010	2008/10	Empirical Analyses of Product Architecture Theory and Corporate Activity and Management Activity	OSHIKA Takashi (RIETI/Fukui Prefectural University)	II-6
08-P-009	2008/9	New Horizons and an Introduction to Intellectual Property Systems: Perspectives on Reviewing Intellectual Property Systems for the Future	KIYOKAWA Yutaka (RIETI)	II-9
08-P-008	2008/9	Background and Impact of the Surge in Oil Prices in Recent Years	HASEGAWA Eiichi (RIETI)	B-3
08-P-007	2008/9	A Survey on Productivity Analysis Using Microdata—Impact of Entry, Exit, Economic Globalization, Innovation and Systemic Reform	MATSUURA Toshiyuki (RIETI) HAYAKAWA Kazunobu (IDE-JETRO) KATO Masatoshi (Hitotsubashi University)	C-2
08-P-006	2008/9	Comparative Study of Regional Finance and Industrial Partnerships in Japan and South Korea—Comparison of the Taegu and North Gyeongsang Regions of South Korea and the Tokai and Kansai Regions of Japan based on Corporate Questionnaire Surveys	YAMORI Nobuyoshi (Nagoya University) HIRAKAWA Hitoshi (Nagoya University) Yong-Ho CHIO (Kyungpook National University) Byung-Yong JIN (Daegu Bank) Gi-Duck BU (Daegu Bank) Man Bong PARK (Nagoya University)	A-1
08-P-005	2008/7	Background and Mechanism of Reorganization of European Power and Gas Industries: Multiple Games among Firms, Sovereign States, and International Organizations	SHIRAIISHI Shigeaki (RIETI)	III-11
08-P-004	2008/7	Social Security, Tax Systems, Income Distribution, and Economic Growth—Back of the Envelope Calculation of the Effects of Policies	MORIKAWA Masayuki (RIETI/METI)	A-6
08-P-003	2008/5	Consumer Policy and Market Norms: Routes of Socioeconomic Development Abstracted from Literature concerning Consumer Fraud and Product Safety	TANI Midori (RIETI/METI)	B-4
08-P-002	2008/5	An International Comparison of Risk Management Policies—A New Debate on Economic Policies in Risk Handling	MORIKAWA Masayuki (RIETI/METI)	I-2
08-P-001	2008/4	Current Situation and Problems in European Common Energy Policies	KAINOU Kazunari (RIETI)	A-Others