

RIETI

Research Institute of Economy, Trade & Industry, IAA





MISSION STATEMENT

To create a vibrant society in response

The Research Institute of Economy, Trade and Industry (hereinafter referred to as RIETI), an incorporated administrative agency, was founded in April 2001, coinciding with the launch of the incorporated administrative agency system. RIETI was established on the foundations laid by its forerunner, the Ministry of International Trade and Industry/Research Institute (MITI/RI), established in April 1987), a component of the then Ministry of International Trade and Industry. Under the aegis of the ministry, MITI/RI primarily conducted basic research on trade policy as well as on the overall economic situations in Japan and abroad from both theoretical and empirical viewpoints.

With the 21st century comes an era of change. In order to ensure its future as a dynamic society amid the rapidly changing international environment, Japan must resolutely carry out bold reforms to change the conventional economic structure and administrative system. Against this backdrop, there have been growing calls for policy proposals formulated through a pluralistic approach that breaches the conventional administrative boundaries.

In response to such calls, RIETI was established as a research institute with a certain degree of independence from the administrative authorities to carry out study, analysis and research on various policy issues at an international level from a mid- to long-term perspective, thereby accumulating data to formulate and present policy proposals.

Pursuant to the Law Concerning the Establishment of the Research Institute of Economy, Trade and Industry, a law established and implemented to provide for this organization, RIETI is obliged to carry out its objectives under a designated scope of activities, while maintaining organizational autonomy as an incorporated administrative agency and ensuring information transparency. By taking advantage of the discretion guaranteed it by law, RIETI not only recruits its researchers from government ministries and agencies but also appoints specialists of a great variety of profiles from outside the government—including university professors, researchers at



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private-sector research institutes, members of nonprofit and/or nongovernmental organizations (NPOs/NGOs) and those from media organizations in Japan and abroad—for engaging in research activities on fixed-term contracts. One of the unique features of RIETI is that each researcher sets the theme for their research and undertakes it of their own initiative and responsibility. Specifically, RIETI undertakes three types of activities as described below.

First, in executing our primary task of conducting “research and studies,” we strive to undertake basic research and studies at an international level on the economic and industrial conditions both in Japan and abroad, as well as on economic and industrial policies. Second, with regard to the task of “making policy recommendations and disseminating them,” we proactively disseminate research results and policy proposals in the form of printed publications and through our web site on the Internet. Furthermore, we also provide a space for discussing our research results and the contents of the proposals made thereof and developing policy by organizing symposia and seminars that can positively influence government policymaking. Third, under activities classified as “information gathering and management, statistical processing and statistical management,” we aim to establish a system for easy, reliable collection and viewing of information that both facilitates and ensures efficient policy research and proposals by creating a database for turning tacit knowledge into articulable knowledge by means of a knowledge management method that utilizes information systems.

As a platform for formulating economic and industrial policies, RIETI seeks to provide an efficient and effective theoretical foundation and knowledge network to the policymaking authorities. In achieving this end, we strive to fulfill our mission to help activate policy debate by strengthening our capacity to formulate policy and improve the quality of our policy proposals.



Messages from the Chairman and the President

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

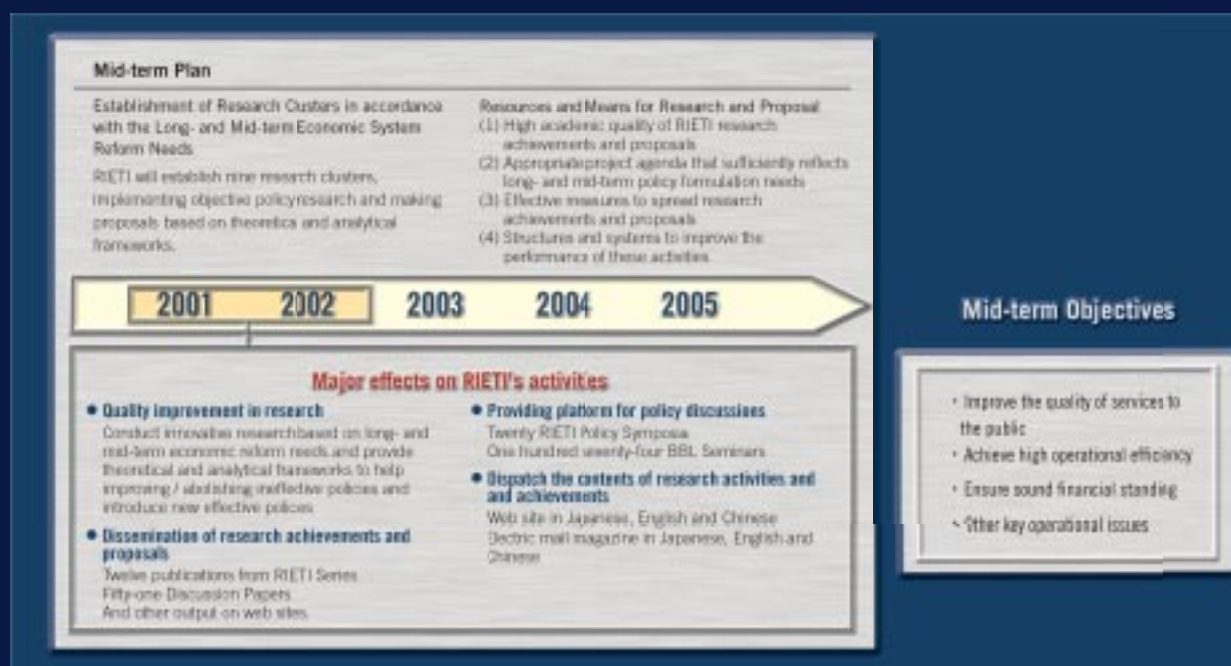
Chairman
Sozaburo Okamatsu

Q1 Tell us about the establishment of RIETI.

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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



**“Future research themes will likely emphasize the rising
importance of Asian economic integration.”**

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

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

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

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

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

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

Q7 What tasks face RIETI research activities in the future?

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



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

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

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

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

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

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

(right) *Chairman* Sozaburo Okamatsu

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

(August 2003)



RESEARCH

THEMES

Nine Research Clusters

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RIETI aims to stimulate policy dialogue and improve policy formulation. This is achieved by conducting policy research and making policy proposals that stress analysis of policies and institutions. Research is chiefly conducted on mid- to long-term issues concerning economic system reform, while one eye remains trained on matters requiring immediate solution. In recognition of the current economic and social climate, research has been divided among nine “clusters” to ensure that all policy research and policy proposals are objective and underpinned by sound theoretical and analytical frameworks. These clusters map out the research fields covered by RIETI, while actual research activities conducted under these clusters materialize in the form of research projects. In some cases, a research project straddles more than one research cluster.

* The titles of fellows are applicable in the fiscal year ended March 31, 2003



Left: "Corporate Governance from an International Perspective: Diversity or Convergence" (January 10, 2003)

Right: Fellow Gregory Jackson



1

Corporate Governance, Organization and Strategy

Amidst rapid changes in the business environment including the developments in IT and economic globalization, Japanese firms that had achieved enormous successes in the postwar era with "Japanese-style management" now find themselves in challenging times and are searching for new management models. Researchers in this cluster analyze the current environmental changes and attempt to identify future models for Japanese firms. With a view to building up a body of policymaking case studies, they also research past developments in Japanese industrial policy and industrial organization.

Research on Japanese Firms

The "Japanese Firms Project," led by **Faculty Fellow Hideshi Itoh** and other researchers since 1999, compiled and published its research results as *The Japanese Firm in Transition*, as part of the Economic Policy Analysis Series. The book aims to fill the gap in evaluation of Japanese firms between the 80s and 90s and to clarify the options that face Japanese firms through rigorous analyses conducted by researchers from diverse backgrounds including economics, management science and law. It also focuses on aspects of Japanese firms that have hitherto not been elucidated under descriptions of the ideal type of "Japanese firm," including capacity for strategic decision making, governance of group companies, the link between manufacturing capability and innovation, and the role of leadership.

Corporate Governance

Based on internationally comparable data including those regarding legal and political systems, **Fellow Gregory Jackson** conducted empirical analyses on the determining factors in types of corporate governance. Aiming to encourage discussion on corporate governance issues, he also launched the "Corporate Governance Japan" page on the RIETI web site, both in Japanese and English, which

offers up-to-date information on the state of Japanese firms and their corporate governance.

In January 2003, RIETI held a policy symposium on international trends in corporate governance, where leading researchers and policymakers from across the globe discussed current changes in corporate governance. It was agreed that the participants should press forward with the comparative institutional analysis of corporate governance across countries including East Asia, and strengthen international partnership for transdisciplinary exchange of opinion and information.

International Competitiveness

RIETI conducted a quantitative reexamination of the international competitiveness of Japanese Industries. The result of this project was serialized in Nikkei Shimbun's "Economics Classroom" as "Competitiveness Research" and later published as a book by **Senior Fellow Kazuyuki Motohashi** and **Consulting Fellow Haruhiko Ando**. They identify the reasons behind Japan's reduced international competitiveness in the 1990s as being the result of rigid systems for and management of organization as well as retarded efforts for the introduction of modularization, venture business, technology marketing and knowledge management.



Consulting Fellow Haruhiko Ando

Publication	"The Japanese Firm in Transition" →p29
Symposium	"Corporate Governance from an International Perspective" →p21
Web site	"Corporate Governance Japan" http://www.rieti.go.jp/cgj/en/index.htm



Left: Faculty Fellow Ikujiro Nonaka
Right: Consulting Fellow Hirohiko Izumida



2

Regulation, Deregulation and Competitiveness

Based on the analysis of recent theoretical developments in regulation policy in Europe and North America and the progress of reforms in those regions, researchers in this cluster conducted theoretical and empirical studies on issues such as future models for regulatory structures and competition policies for the electric power market, telecommunications and other markets in Japan. They also conducted research useful for policy evaluation, developing models for quantitative analysis of the effects that various policy options have on social welfare.

Regulatory Reform of Telecommunications Market

Senior Fellow Nobuo Ikeda compiled his research results along with those by other researchers, which were presented at a policy symposium in 2001, and published them as *Designing Institutions in the Broadband Era*, as part of the Economic Policy Review Series. The book analyzes how emergence of the Internet necessitates the shift in the structure of the telecommunications industry from vertical integration to lateral disintegration, and proposes a need for a policy response to this new industrial architecture. Ikeda also conducted a field survey on the current use of spectrum in Japan and found that a substantial portion has still been used inefficiently with old technologies due to the discretionary allocation by the government, although a lack of sufficient room is being felt as mobile phones continue to diffuse. The detailed results of this survey can be found on the "IT@RIETI" page at the RIETI web site.

Public Service in the IT Era

The "e-Japan project" of the government aimed to "realize an electronic government in 2003." In February 2003, RIETI held a policy symposium titled "Electronic Government for Whom?" to discuss issues such as the purpose for the digitization of public administration and how to make it meaningful to people. Heads in active service, consultants and policymakers were invited to exchange opinions on such issues as privacy in a network society and appropriate procurement systems for information technology.

The "Knowledge Management Using IT" project, led by **Faculty Fellow Ikujiro Nonaka** and **Consulting Fellow Hirohiko Izumida**, published its research results as *Toward the Theory of Knowledge-based Country: A New Paradigm of the Policy Process*. The book presents an emerging paradigm for the policy formulation process and the role of government in the new century based on the premise that theory and method of knowledge management can be applied to the solution of nationwide problems.



Left: Senior Fellow Nobuo Ikeda
Right: "Electric Government for Whom?"
(February 5, 2003)





BBL Seminar
 “Intellectual Property Rights of Software and Open Source”
 (October 25, 2002)

Deregulation of Electricity Market

Governments in most countries admitted regional monopoly of electric power companies while regulating their pricing, because the electricity industry was long supposed to have economies of scale, however, this premise is changing. “The Electric Power Study Group,” led by **Faculty Fellow Tatsuo Hatta**, conducted research on the state-of-the-art theory and policy of regulation in advanced countries from the viewpoint that a less expensive supply of electricity by means of liberalization is necessary to strengthen the international competitiveness of Japanese industries. The research results of this project are scheduled for publication in fiscal year 2004.

Quantitative Method of Policy Evaluation

Fellow Kazunari Kaino is developing a multisectoral general equilibrium model that enables quantitative evaluation of the effects of policy options. This model is supposed to be useful not only for policy planners to evaluate new policies ex ante, but also for the ex post evaluation and/or analysis of policies already in operation. The research results of this project are planned for publication as part of the Economic Policy Analysis Series.

Publications	“Designing Institutions in the Broadband Era” →p28
	“Toward the Theory of Knowledge-based Country” → p28
Symposium	“Electric Government for Whom ?” →p20



BBL Seminar
 “Intellectual Property Rights of Software and Open Source”
 (October 25, 2002)

Left: Senior Fellow Toshihiro Kodama
 Right: “Changes in the Corporate Management Environment
 and Safety Nets” (November 19, 2002)



3

Employment and Safety Nets

Amidst a major transformation in conventional Japanese-style corporate governance, and diversification of social values and working styles, traditional rigid employment systems are being modified to provide more flexibility and openness. As technological innovation accelerates, employment mismatching is also becoming an issue. In view of these circumstances, theoretical and empirical research was conducted on issues such as what labor market systems and structures are required, what labor laws and structures are needed and what kind of safety net should be provided in reforming the health and social security systems.

Safety Net System

The Japanese economy is now facing rapid aging of the population amid extremely low birthrates, while the business environment is changing in response to the international situation. These factors have considerable implications for the traditional employment system. Since 2001, **Faculty Fellow Toshiaki Tachibanaki** and **Visiting Fellow Yoshihiro Kaneko** have led the “Safety Net Study Group” to conduct research on the emerging diversification of employment patterns and appropriate systems for safety nets concerning life security after retirement, in line with the aforementioned environmental change. In November 2002, together with **Fellow Koichiro Akaishi**, they held a policy symposium titled “Changes in the Corporate Management Environment and Safety Nets.” Taking account of the comments expressed at this symposium, the research results of this project were published as *Institutional Reforms for Enterprise-based Welfare Provisions* as part of the Economic Policy Analysis Series in September 2003.

Research on Labor Mobility

Senior Fellow Toshihiro Kodama, along with **Faculty Fellows Yoshio Higuchi** and **Masahiro Abe**, analyzed current trends in job creation and unemployment as well as the relationship between methods for job-hunting and successfully changing jobs. This study was

conducted with the understanding that smooth transfer of labor from stagnant sectors to growth sectors is essential for the structural reform that faces Japan today. The research results of this study will be publicized in fiscal 2003. Kodama’s case study of coal mine closures conducted in fiscal 2001, which has considerable implications for the possibility of changing jobs across different sectors and occupations, continues to be cited by policymakers such as the Information Economy Subcommittee of the Industrial Structure Council.

Designing Balanced Scorecard for Health Care Industry

Faculty Fellow Koichi Kawabuchi conducted research on the design of a balanced scorecard for the health care industry and proposes that hospitals use it to enhance their managerial efficiency. Together with indices for financial status and customer satisfaction, it can also be used for ranking medical institutions. He held a workshop on “Research Toward Developing Balanced Scorecard for Health Care Industry” at RIETI, which attracted more than one hundred health care professionals.

Publication	“Institutional Reforms for Enterprise-based Welfare Provisions” →p29
Symposium	“Changes in the Corporate Management Environment and Safety Nets” →p22



Left: Faculty Fellow Toshiaki Tachibanaki
 Right: Visiting Fellow Yoshihiro Kaneko



Left: “How to Evaluate a University and What For?: Seeking a model for University Evaluations—The European Experiment—” (March 22, 2003)
Right: Fellow Schumpeter Tamada



4

Innovation and University-Industry Cooperation

A feature of today's business environment is that as technological innovation is increasing in speed, possessing the organizational capacity to create innovative products is becoming more important than ever. Researchers in this cluster conducted theoretical and empirical studies on issues including the elucidation of creative R&D mechanisms, technology propagation methods, organic industry-academia-government cooperation, human resources development aimed at producing groundbreaking innovators, and systems and structures for creating a competitive and flexible R&D environment.

University-industry Cooperation

The results from the policy symposium held in December 2001 were published by **Faculty Fellow Yuko Harayama** as *Industry-Academia Cooperation: Toward Institutional Design to Cultivate Innovative Power* as part of the Economic Policy Review Series in April 2003. Also, a Policy Symposium entitled “How to Evaluate a University and What For?: Seeking a Model for University Evaluations—The European Experiment—” was held in February 2003. After hearing a presentation on the university evaluation program undertaken by the European University Association, panelist—including representatives from the Ministry of Education, Culture, Sports, Science and Technology as well as from the National Institute for Academic Degrees—exchanged views on the creation of Japan's university evaluation system.

Regional Clusters

Senior Fellow Toshihiro Kodama conducted research on the development of university-industry cooperation and regional clusters in the Technology Advanced Metropolitan Area (TAMA) located in the western part of the greater Tokyo metropolitan area, focusing on the intermediary function played by TAMA Industrial Activation Association Inc., an entity promoting university-industry cooperation in the region. His discussion paper entitled “University-industry

Cooperation and Intercompany Collaboration in TAMA,” a product of his research, was announced to the press.

STI Network and Creation of New Industries

Fellow Schumpeter Tamada and other researchers developed a database containing an enormous volume of patent information, with the aim of looking into ways to best utilize the nation's industrial and technological capacity. In promoting university-industry cooperation, they are calling for the concentration of resources in areas where science and technologies are closely linked with one another, for instance, in the fields of biotechnology and nanotechnology.

Fellow Ichiro Nakayama raised questions regarding the widespread perception that the pro-patent policy of the U.S. government contributed to the improvement of the competitiveness of U.S. industries. Noting that empirical studies have not found a clear relationship between the adoption of such a policy and the industrial competitiveness in the United States, he holds that the positive effect of pro-patent policy on competitiveness should not be taken for granted when discussing institutional reform in Japan. The results of his research were published as a discussion paper.



Faculty Fellow Yuko Harayama

Publication	“Industry-Academia Cooperation” →p28
Symposia	“How to Evaluate a University and What For?”→p20 “System Design of University-Industry Cooperation” http://www.rieti.go.jp/en/events/01121101/doc.html



Left: Faculty Fellow Akira Kotera
Right: Senior Fellow Ichiro Araki



5

International Economic Relations

Today's economic globalization entails many complex facets that go beyond merely developing closer links between countries through trade and investment. Furthermore, changes are occurring in the international economic status of various countries, as illustrated by the rise of China. Researchers in this cluster conduct multifaceted and interdisciplinary studies into the new international politico-economic regimes demanded by this environment, from the perspectives of law, economics and politics. At the same time, they research the international politico-economic strategies Japan requires to achieve sustainable economic growth in the context of a global economy.

WTO in Transition

Faculty Fellow Akira Kotera, who had been organizing an internal workshop called the “Study Group on Trade Laws in the New Era” since 2000, compiled and published the output of the workshops as *WTO at the Crossroads—An Analysis of Non-Trade Issue Linkage*, as part of the Economic Policy Analysis Series. The book cut into the question of how to handle “non-trade concerns” (NTCS), such as labor, culture, environment, intellectual property rights and domestic rules and laws on economy, analyzing the issue not only from viewpoint of jurisprudence but also from those specialized in political science and economics. **Senior Fellow Ichiro Araki** provided analysis based on his own experience as practitioner, thus enabling this book to offer multiple viewpoints with which to see the WTO regime.

Diversification of Free Trade Agreements (FTAs)

There has been a significant growth in the number of regional trade agreements in recent years. Against the proliferation of such regional schemes, complementing the multilateral free trade framework centering on WTO, **Fellow Nozomi Sagara** conducted research on the rules of regional trade agreements, focusing on anti-dumping measures, countervailing duties as a means to alleviate the negative im-

pact of foreign government subsidization, and safeguard measures. While clarifying the current state of regional FTAs, she comprehensively examined the debates at the WTO's Committee on Regional Trade Agreements (CRTA) and the points of argument in the relevant trade disputes.

Economic Cooperation

Senior Fellow Naoko Munakata moved the base of her research activities in the United States to the George Washington University's Sigur Center for Asian Studies. In fiscal 2002, she focused on the problem of poverty stemming from the intensification of international terrorism, making recommendations as to what steps Japan should take in the light of the international debate on development issues. She also noted that Japan, when promoting economic integration with developing countries, needed to give due consideration to ensuring consistency with the development strategies of these countries.

Publication “WTO at the Crossroads—An Analysis of Non-Trade Issue Linkages” → p29



Left: Fellow Nozomi Sagara
Right: BBL Seminar “Shock therapy: How closer US-Japan ties can help the Japanese economy” (September 25, 2002)



Left: “ANEPR” (April 22-23, 2002)
Right: Senior Fellow C.H. Kwan



6

Asian Economies and Regional Integration

Amid the rise of China and other such changes in relative international superiority, one of Japan’s important policy concerns is how to structure and build relationships with other Asian countries. In finding these answers, this research cluster focuses on economic trends and economic relationships within Asia, and the effect that security issues have on such matters. Dialogue and cooperation among Asian nations is essential for the formation of a new order to cope with the increasing movement of human, information and natural resources, and to this end we strive in shaping a network of researchers and administrative officers throughout Asia.

Research into the Chinese Economy

Senior Fellow C.H. Kwan, through his “China in Transition” column on the RIETI web site, endeavors in showing that the concept of the “Chinese economic threat” which has formed amid the Japanese economy’s already prolonged recession, is an emotional and unanalytical view. The essence of his opinions was published as *A Re-introduction to the Chinese Economy*, part of the RIETI Economic Policy Review Series. In this book, he concludes that the economies of Japan and China are in a complementary relationship and that correct apprehension of the fact that China’s progress is of benefit to Japan will contribute to cultivation of Japan-China relations. “China in Transition” is published in English, Japanese and Chinese to high acclaim by readers at home and abroad and Dr. Kwan’s recent proposals for resolving the yuan appreciation problem have been widely influential.

Faculty Fellow Jianjun Meng is engaged in empirical research on interregional migration by taking a national census. He analyzes large-scale population inflow from the country to the city in the three great economic blocs—Kanto, Shanghai and Beijing/Tianjin—as the driving force behind China’s high economic growth rate.

Japan-China Industry Exchange

Senior Fellow Toshiya Tsugami describes the theory of the “Chinese economic threat” as flight from reality, a state of seeing only what you want to see and ignoring the rest. With this in mind, he organized the “Japan-China Economic Conference” which is co-sponsored by the Ministry of Economy, Trade and Industry and the Japan External Trade Organization. Based on time spent in Beijing and practical experience as an administrative officer, he emphasizes that it is critical to realize a win-win relationship between Japan and China resulting in mutual economic gain by stimulating the flow of human resources and money in the private sector. The November 2002 conference was held in Osaka and attended by approximately 690 people (out of which 100 were Chinese) including private entrepreneurs, administrative officers and scholars from both China and Japan.

Publication	“A Re-introduction to the Chinese Economy” →p28
Symposia	“Asian Security Environment after the 9.11 Terrorism” → p21 ANEPR “Asian Economic Integration? Current Status and Future Prospects” →p23



Left: Faculty Fellow Yoshihide Soeya
Right: Faculty Fellow Jianjun Meng

Northeast Asian Security

Faculty Fellow Yoshihide Soeya hosted the Policy Symposium “Asian Security Environment after the 9.11 Terrorism.” In this policy symposium, five experts on Asian security presented their views on recent security developments from the perspective of their respective regions and/or sub-regions (i.e. Northeast Asia, Central Asia, the South Pacific, South Asia, and Southeast Asia). They stated that each region has, with its own momentum, come to show new developments under the influence of renewed U.S. participation in regional security. While it was acknowledged that the re-involvement of the United States would play a decisively important role in security, the fact of whether or not it would continue to do so in the long run still remained to be seen.

The fact was also acknowledged that independent dynamism within the region is unstable, as was the view that the future policy developments of China and Russia are uncertain. Nevertheless, lively debate took place on a broad range of topics from points of U.S.-China conflict in Southeast Asia to the possibility of security cooperation. Approximately 100 people participated, including many who hold influence over the Japanese policymaking process.

Asian Network of Economic Policy Research (ANEPR)

RIETI holds an international symposium, dating back to the days when the institute was part of the former Ministry of International Trade and Industry, which is based on a network of economic policy researchers from Japan, China, Korea and other Asian countries, including regional specialists from outside Asia, called Asian Network of Economic Policy Research (ANEPR). In April 2002, Professor Joseph Stiglitz from Columbia University and Mr. Qingtai Chen from the Development Research Center of the State Council of PRC were invited to the “Asian Economic Integration—Current Status and Future Prospects” symposium. Discussion spanning two days took place on the current state of communications networks and economic integration in Asia, along with outlook for the future from a politico-economic stance and a European perspective. The next ANEPR conference will take place in January, 2004.



Left: Senior Fellow Toshiya Tsugami
Right: “Asian Security Environment after the 9.11 Terrorism”
(December 18, 2002)





Left: “Business Support Libraries Getting into Motion”
(September 23, 2002)
Right: Senior Fellow Ichiro Hirose



7

Political Economy and Public Policy Process

Past economic theories have neglected the fact that a government organization is a place where manifold interests meet. But without analysis of the assorted interests involved in the policymaking process, it is impossible to realize effective and feasible institutional reform. In this research cluster, analysis of political and economic interrelations is performed along with theoretical and empirical research into the strategic approaches needed for institutional reform and the role of the civilian sector, in particular NPOs and NGOs.

Politico-economic System

Faculty Fellow Michio Muramatsu published the results of RIETI's “Local Governance New Public Management Reform” seminars in *Local Governance Reform in An Era of Change* as part of the RIETI Economic Policy Analysis Series. Out of the stream of reforms that took place during the 1990s, taking three governance reforms as an axis—decentralization, new public management and civilian governance—he analyzes, with several experts, how reforms propagated further reforms and what initiated others.

Senior Fellow Ichiro Hirose conducted surveys on the local governments that had hosted football matches during the 2002 FIFA World Cup and interviewed the prefectural governors in charge. The results were published on the RIETI website under the title “Ex Post Evaluation of 2002 FIFA World Cup Korea/Japan.”

The late **Consulting Fellow Tetsuro Toya** published *The Political Economy of the Japanese Financial Big Bang: Institutional Change in Finance and Public Policy Making* as part of the RIETI Economic Policy Analysis Series. By apprehending with a broad perspective the consequences of the financial “big bang” that occurred during the financial and politico-economic climate of Japan in the 1990s, he constructs a new framework to explain the significance of what the big bang was and the environment that caused it. By taking up institutional change as its opening analysis, this work has attracted public attention and been reprinted several times.

Senior Fellow Yoshinori Yokoyama launched the “Social System Design Workshop” which aims to establish a clear vision for the future of Japan founded on the basic philosophy that the improve-

ment of labor and capital productivity together with a new social system design are vital for the reconstruction of Japan.

Civil Society and NPO/NGO Activities

Fellow Motoko Mekata focuses on NGO networks and civil society—their supporting base—and how they transgress national borders to cooperate in acting as a transnational civil society for building global standards in fields such as disarmament, human rights and environmental conservation. Her analysis of this current condition is reported in the book *Transnational Civil Society* as part of the RIETI Economic Policy Analysis Series.

Fellow Akiko Sugaya is conducting research on the role of libraries in civilian empowerment. In September 2002, RIETI held a policy symposium entitled “Business Support Libraries Getting into Motion.” There was a tremendous turnout and participants from libraries all throughout Japan expressed views on public libraries as new strategic bases for promoting businesses and supporting small- and medium-sized enterprises.

Consulting Fellow Akihiro Sawa, along with fellow researchers Dr. Mekata and Ms. Sugaya, launched a research group focusing on the civil sector in its role of taking control of the public sector, and held workshops with experts involved in NPO/NGO activities. The fruits of this research were published as *Civil Mind Civil Power ? NPO/NGOs as the lead actor in the public sector* in RIETI's Economic Policy Review Series (May 2003), and by alluding to specific cases it shows how the “civil sector” in Japan is related to the “public sector,” and given this fact, how the frame of the state can be changed.



Left: Fellow Motoko Mekata
Middle: Fellow Akiko Sugaya
Right: Senior Fellow Yoshinori Yokoyama

Left: Fellow Mieko Nakabayashi
Middle: Fellow Iichiro Uesugi
Right: Fellow Keiichiro Kobayashi



8

Macroeconomic Policy and Performance

Japan has now reached the point where it must reconfigure traditional relations between its government and citizens into a new, more productive relationship. For example, the harmful effects of an administrative and fiscal system that adopts a “bureau-pluralistic” approach to coordinating the interests of various industry groups are becoming increasingly evident. There is also a need to review the roles of fiscal and financial policy to change the administration’s relationship with industries and regions whose very existence depends on government support in the form of public works. Researchers in this cluster conducted theoretical and empirical analyses on these issues.

Macroeconomic Policy

Senior Fellow Kotaro Tsuru actively addressed current policy issues such as financial system reform and industrial revitalization and expounded his views, based on the relevant economic theories, on the web site; in particular, through his “Economic Review” column. His arguments struck a chord among those in the nation’s legislative center, and he was summoned as a witness before the Research Committee on National Life and Economy of the House of Councilors.

Japan is not alone in having gone through a banking crisis.

Fellow Keiichiro Kobayashi examined a series of case studies and empirical studies undertaken by international institutions—the World Bank, the International Monetary Fund, amongst others - on this phenomenon as it had occurred in many countries. Based on the findings of this research, he derived lessons for Japan in terms of policy prescription and compiled them into a discussion paper. He actively presented his views and policy ideas through the media, calling for the introduction of stricter criteria for asset assessment to truly solve the problem of nonperforming loans, which he says is indispensable for reconstructing the Japanese economy.

Fellow Iichiro Uesugi, in his proposal published on the RIETI web site, called for a policy accord between the fiscal authorities and the monetary authorities to make concerted efforts to end deflation. Also, in fiscal 2003, he plans to launch a new project by setting up the “Study Group on Corporate Social Responsibility and New Financial Flows.”

Budget Formulation Process in the United States

Fellow Mieko Nakabayashi conducted research on various problems in Japan’s fiscal system by assimilating her experience as a staff member of the U.S. Senate Budget Committee. She pointed to the need for Japan to change its budget process, noting that Japan’s fiscal reform tended to focus solely on the setting of numerical targets whereas the United States had been implementing various reforms on the budgetary process through trial and error. In December 2002, she served as a moderator at a roundtable workshop on “Japan-U.S. Relations and Budget Formulation,” jointly organized by RIETI and the Reischauer Center of Johns Hopkins University. The workshop took up familiar bilateral issues such as security, diplomacy and trade from a budgetary perspective.

Fiscal Reform

Fiscal reform is one of the most urgent issues that need to be addressed in Japan’s structural reform initiatives. Based on this recognition, RIETI launched a “Fiscal Reform Project” led by **President Masahiko Aoki**. The project, joined by members from various research clusters or fields in a cross-cutting fashion, organized a series of workshops to deepen discussion. The results of this project are to be presented in the form of a symposium and publications.



Senior Fellow Kotaro Tsuru



Senior Fellow Kazuyuki Motohashi

9

Quantitative Analysis and Databases

Researchers in this cluster carry out quantitative empirical analysis using original databases (based on corporate data, etc), and conduct simulations of policy effects employing general equilibrium models to feed objective, high added-value analysis into the policymaking process. In conducting their research activities, they constantly seek to produce data in forms that can be taken up and employed by the public at large. For example, in cases where time-series data used in government systems has become inconsistent, they create original RIETI databases to restore consistency.

International Comparison of the Productivity among Asian Countries (ICPA)

For the purpose of comparing the growth factors of East Asian countries and precisely measuring the international competitiveness of Japanese manufacturers, a group of researchers led by **Senior Fellow Kazuyuki Motohashi** have been developing a database containing resources derived from input-output tables, as well as those concerning capital stock, labor and so forth, utilizing a network of researchers including those from the United States, China, South Korea and Taiwan. In fiscal 2002, an international workshop was organized whereby researchers exchanged views and discussed ways to make necessary data adjustments for consistency and comparability. As an occasion to present the interim results of this project, RIETI and Keio University jointly held a symposium in fiscal 2003, inviting Professor Dale W. Jorgenson of Harvard University and many others.



Faculty Fellow Kazushige Shimpo

Survey on University-industry Cooperation Concerning Innovation Systems in Japan

Amidst concerns over Japan's decline in international competitiveness, scientific knowledge and expertise accumulated in universities and other academic institutions are of increasing importance for the innovation of Japanese companies. The details of the survey results are available on the RIETI web site. In fiscal 2002, RIETI conducted a survey on Japanese companies' collaborations with external organizations in research and development, especially those between private-sector companies and universities. The survey revealed the current state of university-industry cooperation, as seen from the viewpoint of Japanese companies, of which roughly 70% are engaged in collaborations with external organizations and 40% with universities.

Designing and Development of a Database for Analyzing Industrial Structure

In an attempt to solve the problem that government statistics, as they stand today, lack sufficient time-series continuity, a team led by **Faculty Fellow Kazushige Shimpo** developed a database that can facilitate extensive analysis on industrial structure, using the input-output tables as a basic foundation with other government statistics—such as a census of manufacturers and a basic survey of Japanese business structure and activities—incorporated in a consistent manner. It is intended that the database be utilized for various policy simulations to develop new economic models.

The role of a policy research institute does not end in the research itself. It has an obligation to create policy debate by spreading the results of its research activities far and wide. By using its web site as the primary means of disseminating public activities and research achievements, RIETI has constructed web pages for publishing research papers, launching profiles of fellows and their projects, holding columns written by them, and running features by the editorial department. Besides holding symposia and seminars to stimulate policy debates, we also make records of these activities available on the web site in the form of online streaming video. Moreover, by publishing the Economic Policy Review Series and the Economic Policy Analysis Series of books, we make efforts not only to provide policy information, but ensure that there is an abundance of it. In all public activities, we emphasize the two-way flow of information and by listening to our audience's needs through questionnaires work to improve web site content.

The mainstay of RIETI's public activities is its web sites managed in Japanese, Chinese and English; and access to each one has been steadily increasing (see table).

In the year 2002, the editing department's feature columns were launched on the Japanese web site, including "Policy Discussion," "Ask the Fellows" and "Special Report." In each case, the objective is to provide policy information on current topics which the media in general has failed to pick up on from our researchers' own original perspectives.

In enriching the English and Chinese web sites, we started posting electronic newsletters, such as "RIETI Report" and "RIETI dianzusinxiao," in order to promulgate Japanese policy information and improve web site access. The English electronic newsletter, "Miyakodayori," which has been continuously picked-up on in overseas papers and governmental documents, is playing an important role in raising the recognition of RIETI abroad.

RIETI continues to proactively put on symposia and seminars, and in 2002 there were 12 symposia and 90 Brown Bag Lunch (BBL) seminars held, some taking place in China and South Africa and contributing to the profile of RIETI overseas. Held in high regard by participants, according to surveys conducted after each event the average level of satisfaction was over 80%. For those who could not attend, we also made recordings of these events available on our web site, as online streaming video, as well as posting handouts and other associated material.

Discussion Papers remain an important output of research conducted at RIETI, and in 2002 alone 41 were posted on the web site in English and Japanese. In addition to the publications of the Economic Policy Review Series, the Economic Policy Analysis Series has now been launched. Some editions have gone through several impressions and many more have been introduced in newspaper and magazine book reviews.



Japanese

RIETI Newsletter



English

RIETI Report



Chinese

RIETI dianzusinxiao





Web Page Traffic (Jan. 22, 2002-Mar. 31, 2003)

Top Page	Japanese	352,000
	English	26,000
	Chinese	34,000



*Note: Participants' titles as of date of symposia

“How to Evaluate a University and What for? : Seeking a model for University Evaluations—The European Experiment”

<http://www.rieti.go.jp/en/events/03022201/report.html>

Date:	February 22, 2003
Place:	United Nations University U. Thant International Conference Hall
Keynote Speeches:	Luc Weber (Professor, University of Geneva) Georges Verhaegen (Professor, Universite Libre de Bruxelles)
Panel Discussions:	Tsutomu Kimura (President, National Institute for Academic Degrees) Ryo Hirasawa (Professor, National Graduate Institute for Policy Studies) Tetsuhiko Ikegami (Chancellor of Aizu University) Kumiko Bando (Head of Personnel Division, MEXT) Masahiko Aoki (RIETI President, Professor of Stanford University) Yuko Harayama (RIETI Faculty Fellow, Professor of Tohoku University)

The Japan-U.S. Entrepreneurial Forum: “Economic Revitalization through Entrepreneurship”

<http://www.rieti.go.jp/en/events/03021201/report.html>

Host:	Ministry of Economy, Trade and Industry (METI), US Department of Commerce, Japan External Trade Organization (JETRO)
Date:	February 12, 2003 (Tokyo), February 14, 2003 (Kyoto)
Place:	Keidanren Kaikan (Tokyo), Kyoto Research Park (Kyoto)
Opening Remarks:	Taiichiro Nishikawa (Senior Vice Minister of Economy, Trade and Industry) William H. Lash III (Assistant Secretary of Commerce for Market Access and Compliance, Department of Commerce)
Moderators:	Shuichi Matsuda (Waseda University) Matthew Kipling Fong (President, Strategic Research) Kiyonori Sakakibara (Keio University) Norman R. Solberg (President, Solberg International Law Offices, Japan)
Panel Discussion:	Noboru Maeda (Kochi University of Technology) Raymond Smilor (President, Foundation for Enterprise Development) Lloyd Griffiths (Dean, School of Information Technology & Engineering, Geroe Mason University) Kazutaka Muraguchi (Nippon Technology Venture Partners) Yaichi Aoshima (Hitotsubashi University) Devarajan Ganesan (President and CEO, TRADOS Corporation) Tetsuya Fukagawa (Warburg Pincus Japan) Nobuyuki Hata (Kokugakuin University) Tom Hicks (Partner, Wilmer Cutler & Pickering) Hidetaka Fukuda (Faculty Fellow, RIETI) Yuko Harayama (Faculty Fellow, RIETI) Kentaro Nobeoka (Faculty Fellow, RIETI)

“Electric Government for Whom?”

Date:	February 5, 2003
Place:	RIETI Seminar Room
Keynote Speech:	Nobuo Ikeda (Senior Fellow, RIETI) Shuhei Kishimoto (Faculty Fellow, RIETI)
Panel Discussion:	Hiroshi Yamada (Mayor, Suginami City) Hiroki Azuma (Lecturer, Keio University) Sadahide Ezaki (Deputy Director, Commerce and Information Policy Bureau, METI) Yasufumi Kanemaru (President, Future System Consulting company) Takashi Oowada (President, Stock Research, Ltd) Hajime Myoui (Director, Trade Policy Bureau, Europe Division, METI) Shin Yasunobe (Consulting Fellow, RIETI)



International Symposium

“Reform of China’s State-owned Commercial Banks”

<http://www.rieti.go.jp/en/events/03011501/info.html>

Date:	January 15, 2003
Place:	The Conference Center, Tsinghua University
Panel Discussion:	Zinnai Li (Co-director, NCER) Erik Berglof (Director, SITE) Florencio Lopez-De-Silanes (Yale University) Yingi Qian (Tsinghua University and University of California, Berkeley) Marek Belka (The World Bank and University of Lodz, Poland and Former Minister of Finance of Poland) Lajos Bokros (The World Bank and Former Minister for Finance of Hungary) Anna Meyendorff (William Davidson Institute, University of Michigan) Xiaochuan Zhou (Governor, PBOC) Masahiko Aoki (President, RIETI and Professor of Stanford University) Keiichiro Kobayashi (Fellow, RIETI) Toshiya Tsugami (Senior Fellow, RIETI)

“Corporate Governance from an International Perspective: Diversity or Convergence”

<http://www.rieti.go.jp/en/events/03010801/report.html>

Date:	January 10, 2003
Place:	United Nations University U. Thant International Conference Hall
Presentation:	Masahiko Aoki (President, RIETI and Professor of Stanford University)
Panel Discussion:	Yotaro Kobayashi (Japan Association of Corporate Executives) Yoshihiko Miyauchi (Japan Association of Corporate Directors) Franklin Allen (Professor, University of Pennsylvania) Hasung Jang (Professor, Korea University) Colin Mayer (Professor, Saïd Business School, University of Oxford) Curtis Milhaupt (Professor, Columbia University) Hiroaki Niihara (Visiting Fellow, RIETI) Daochi Tong (Deputy Director-General, Department of Listed Company Supervision, China Securities Regulatory Commission)

“Asian Security Environment after the 9.11 Terrorism”

<http://www.rieti.go.jp/en/events/02121801/report.html>

Date:	December 18, 2002
Place:	RIETI Seminar Room
Presentation:	Benjamin L. Self (Senior Associate, Henry L. Stimson Center) Mehrdad Haghighyeghi (Associate Professor, Southwest Missouri State University) Greg Fry (Director, Australian National University) Kanti Bajpai (Professor, Jawaharlal Nehru University) Derek da Cunha (Senior Fellow, Institute of Southeast Asian Studies) Muthiah Alagappa (Director, East-West Center) Chung-in Moon (Professor, Yonsei University) Takashi Shiraishi (Faculty Fellow, RIETI) Toshiya Tsugami (Senior Fellow, RIETI)
Moderator:	Yoshihide Soeya (Faculty Fellow, RIETI)



“Changes in the Corporate Management Environment and Safety Nets”

Date:	November 19, 2002
Place:	RIETI Seminar Room
Presentation:	Yukiko Yokoyama (Lecturer, Kobe University of Commerce) Yuko Morita (Lecturer, Nagoya City University) Naomi Miyazato (Researcher, National Institute of Population and Social Security Research) Kohei Komamura (Assistant Professor, The Faculty of Economics, Toyo University) Toshiaki Tachibanaki (Faculty Fellow, RIETI) Yoshio Higuchi (Faculty Fellow, RIETI) Yoshihiro Kaneko (Visiting Fellow, RIETI) Koichi Akaishi (Fellow, RIETI)



“Business Support Libraries Getting into Motion”

Date:	September 23, 2002
Place:	Hitotsubashi Memorial Hall
Opening Remark:	Hiroshi Morisaki (Professor, The University of Electro-Communications) Sozaburo Okamatsu (Chairman, RIETI)
Keynote Speech:	Haruhiko Andoh (Visiting Fellow, RIETI)
Activity Report:	Toshikazu Inui (General Manager, Bureau of Industrial and Labor Affairs, Tokyo Metropolitan Government) Toshiaki Takeuchi (Chairman, Japan Business Library Association)
Case Report:	Koichi Kitanoguchi (General Manager, Division of Management Support, TCCI) Yoshio Yanagi (Manager, National Diet Library)
Panel Discussion:	Jin Kurita (Architect / Part-time Lecturer, Tokai University) Shingo Igarashi (General Manager, UFJ High-Tech Venture Development Foundation) Ryo Tokoyoda (President, Urayasu City Library) Akiko Sugatya (Fellow, RIETI)
Moderator:	Masaru Itoga (Professor, Keio University)



International Conference

“Growth Driven by Trade, Investment and Economic Cooperation—Experience of Economic Cooperation and Development of East Asia”

<http://www.rieti.go.jp/en/events/02090101/report.html>

Date:	September 1, 2002
Place:	Pavilion, Ubuntu Village, Republic of South Africa
Keynote Speech:	Kenichi Ohno (Consulting Fellow, RIETI)
Panel Discussion:	Yoshihiko Sumi (Deputy Director-General for Trade Policy, METI) Chakramon Phasukavanich (Secretary General, National Economic and Social Development Board, The Government of Thailand) Jeffrey D. Sachs (Professor, Columbia University) Xian Zhu (Principal Director, Office of Cofinancing Operations, ADB)



ANEPR Series

“Asian Economic Integration

—Current Status and Future Prospects—”

<http://www.rieti.go.jp/en/events/02042201/report.html>

Date:	April 22, 23 2002
Place:	Elizabeth Rose Hall, United Nations University
Opening Remarks:	Joseph Stiglitz (Columbia University) Qingtai Chen (Development Research Center of the State Council of PRC/ Tsinghua University) Masahiko Aoki (President, RIETI/ Professor of Stanford University)
Presentation:	Francois Gipouloux (French Centre for Research on Contemporary China) Angang Hu (Tsinghua University) Chang Jae Lee (Korea Institute for Economic Policy) Jomo Sundaram (University of Malaya) Yongding Yu (Institute of World Economics and Politics) Yunling Zhang (Chinese Academy of Social Science) Hasung Jang (Korea University) Yifu Lin (Peking University) Edward Steinfeld (Massachusetts Institute of Technology) Denis Tersen (Economic Mission—French Embassy in Tokyo) Izumi Aizu (Asia Network Research/GLOCOM) Gang Fan (China Reform Foundation / National Economic Research Institute) Siow Yue Chia (Institute of Southeast Asian Studies) Guangxi Liu (WTO Shanghai Research Center/ Shanghai Institute of Foreign Trade) Yunjong Wang (Korea Institute for International Economic Policy) Rong-I Wu (Taiwan Institute of Economic Research) Peter Drysdale (Australia National University, Japan Research Center) Kyoji Fukao (RIETI) C.H.Kwan (RIETI) Jianjun Meng (RIETI) Shujiro Urata (RIETI) Naoko Munakata (RIETI) Yoshihide Soeya (RIETI) Toshiya Tsugami (RIETI) Yukiko Fukagawa (RIETI) Gregory Jackson (RIETI) Ichiro Araki (RIETI) Tsuru Kotaro (RIETI) Takashi Shiraishi (RIETI)

Special Seminar

“Challenges for Asia”

<http://www.rieti.go.jp/en/events/03032801/report.html>

Date:	March 28, 2003
Place:	RIETI Seminar Room
Opening Remark:	Takeo Hiranuma (Minister, METI)
Special Speech:	Chok Tong Goh (Prime Minister, Republic of Singapore)

Public Activities ②

Seminars

*Note: Participants' titles as of dates of seminar

BBL Seminars

RIETI hosts meetings called Brown Bag Lunch (BBL) Seminars. The aim of this series is to bring to Japan the lively brainstorming sessions on policy issues that are ubiquitous in Washington D.C., and to contribute to a dynamic policy market. (<http://www.rieti.go.jp/en/events/bbl/index.html>)

2003/03/27	"The Future of Education as Revealed Through 'Yononaka' Study"	Kazuhiro Fujihara (Former Fellow, Recruit Co., Ltd. / Senior Counselor, Suginami)
2003/03/20	"Current Iraq Situation"	Keiko Sakai (Senior Research Fellow, Institute of Developing Economies, JETRO)
2003/03/19	"The Outline of Auto-ID and the Recent Development of Auto-ID Center"	Speaker: Yukiko Yumoto (Sun Microsystems) Commentator: Keisuke Murakami (Deputy Director, Information Economy Division, Commerce and Information Policy Bureau, METI), Ichiro Sato (National Institute of Informatics)
2003/03/17	"WTO Trade Negotiations in the 'Doha Round'—Key Decisions Ahead"	Andrew W. Shoyer (Partner, Sidley Austin Brown & Wood LLP) Amelia Porges (Counsel, Sidley Austin Brown & Wood LLP)
2003/03/13	"A Post-modern View of Social Order in the Information Age"	Hiroki Azuma (Part-time Lecturer, Keio University)
2003/03/11	"U.S. and Japanese Communications Policy: A Turning Point"	Yoshihiro Tanaka (Founder and President, FuuUn & Rivals, Ltd. / Visiting Research Fellow, GLOCOM)
2003/02/28	"World Energy Outlook—2002: Key Strategic Challenges"	Fatih Birol (Head, Economic Analysis Division, IEA)
2003/02/26	"Common Challenge across Private Equity Investment and Corporate Turnaround; A Message to New Decade of Revitalizing Japan"	Junichiro Koshi (President, Sigma Solutions / Venture Capitalist)
2003/02/25	"Cutting-edge of zero-stage venture start-ups in Japan"	Shingo Igarashi (General Manager, UFJ High-Tech Venture Development Foundation)
2003/02/18	"Limitation of Japanese-style Management from an Athlete's Perspective Developing New Human Capital and Institutions"	Seiji Hirao (General Manager, Rugby Football Club "Steelers", Kobe Steel, Ltd. / Former Coach, Rugby All Japan Team)
2003/02/06	"Asian Integration: What can be learnt from the European Union?"	Robert Boyer (Professor, Centre d'Etudes Prospectives d'Economie Mathematique Appliquees a la Planification)
2003/01/31	"Prospects and Problems for East Asian Regionalism: A Comparison with Europe"	Richard Baldwin (Professor, Graduate Institute of International Studies, University of Geneva)
2003/01/24 Special BBL	"The Current State of Industry-university-government Collaboration in Asia, and the Response of Japanese Local Communities"	Susumu Sanbonmatsu (Professor, Faculty of Policy Studies, The University of Shimane)
2003/01/22	"Cross-straits Issues between China and Chinese Taipei"	Hideo Tarumi (Secretary-General, Interchange Association in Taipei)
2003/01/20	"Will the Chinese Yuan Appreciate?"	C.H. Kwan (Senior Fellow, RIETI)
2003/01/17	"Business Environment and Managing Issues of Shimadzu Corporation"	Toru Fujiki (Director / Manager, Human Resources Department, Shimadzu Corporation)
2002/12/25	"Considering the Second Commitment Period of Kyoto Protocol Institutional Design for Climate Change Mitigation"	Akinobu Yasumoto (Senior Counselor, Global Industrial and Social Progress Research Institute)
2002/12/20	"New President of ROK and the Future of North Korea"	Richard A. Christenson (Charge' d'Affaires ad interim, Deputy Chief of Mission, United States Embassy Tokyo) Toru Takanarita (Editorial Writer, Asahi Shimbun) Scott Snyder (Korea Representative, The Asia Foundation)
2002/12/13	"Open Spectrum"	Lawrence Lessig (Professor, Stanford Law School), Robert Berger (Visiting Research Fellow, GLOCOM), Jun Murai (Professor, Keio University)
2002/12/11	"Miscalculation of Megabanks"	Noboru Yanai (President, Arrow Consulting)
2002/12/03	"What's going to happen to the Japan's digital TV policy?"	Nozomu Yoshida (President, nozomu.net)
2002/11/27	"Is the Japanese Bureaucracy Hollowing Out?"	Curtis J. Milhaupt (Visiting Fellow, RIETI / Fuyo Professor of Law, Columbia Law School)
2002/11/26	"A Viewpoint of the Sports Lawyer from the Field"	Shinsuke Ishiwatari (Attorney at Law)
2002/11/22	"Can America Feel at Home in Asia?"	Henry R.Nau (Professor of Political Science and International Affairs, George Washington University)
2002/11/15	"Japan's Declining Birthrate and its Effect on the Economy"	Mikiko Fujiwara (Visiting Fellow, RIETI)
2002/11/12	"The future of the balance of power in East Asia: Will Japan rise and China decline?"	Robert Dujarric (Senior Fellow, Hudson Institute)
2002/11/11	"Antidumping Negotiations in the 'Doha Round': Strategy and Tactics"	Brink Lindsey (CATO)
2002/11/06	"The Reform of Japanese Companies and Private Equity Fund"	Hiroshi Nonomiya (Managing Director, Ripplewood Japan, Inc)
2002/11/05	"The Future Possibilities and Challenges of the Franchise Paradigm Shift"	Masami Tajima (President, Franchise Advantage Inc.)
2002/10/31	"Can Japan Come Back?"	Gregory F. Treverton (Senior Fellow, Pacific Council on International Policy) Andrew Oros (Japan Task Force manager, Pacific Council on International Policy)
2002/10/30	"The Transformation of Work Organization, Skill Formation and Employment Relations in Knowledge-intensive Work: a Comparative View"	Karen Shire (Professor of Sociology, Gerhard-Mercator Universitaet Duisburg, Germany / Visiting Professor, University of Tokyo)
2002/10/29	"Group Management Reform and Promoting Core Professionals"	Mitsuo Ogawa (Director, IBM Business Consulting Service)
2002/10/25	"Intellectual Property Rights of Software and Open Source"	Bradford L. Smith (Senior Vice President and General Counsel, Microsoft), Lawrence Lessig (Professor, Stanford Law School)
2002/10/22	"A New Introduction to the Chinese Economy for Japanese"	Speaker: C.H. Kwan (Senior Fellow, RIETI) Commentator: Shen Caibin (Director, China Center for Economy, Mitsui Global Strategic Studies Institute)
2002/10/21	"Financial Conditions of Four Public Roads Administrations"	Yuko Kawamoto (Senior Expert, McKinsey & Company, Inc.)
2002/10/18	"Intellectual Property Rights Protection in China: Progress and Challenges"	Tom Robertson (Associate General Counsel, Law and Corporate Affairs, Microsoft Corporation)
2002/10/17	"The Possible War on Iraq and U.S.-Japan Relations"	Ed Lincoln (Senior Research Fellow, Brookings Institute)
2002/10/15	"Privacy-protection Bill and the Internet"	Nobuo Ikeda (Senior Fellow, RIETI), Hirotaka Fujiwara (Attorney at Law), Yoshihide Ezaki (Deputy Director, Information Policy Division, METI)
2002/10/11	"Globalism, Regionalism, and the New Economic Geography"	William F. Miller (Professor, Stanford University, President and CEO, Emeritus SRI International)
2002/10/10	"US Foreign Policy After 11 September"	Ian Bremmer (President, Eurasia Group)
2002/10/08	"DO Sports Promotion: Solutions through IT to social needs and problem solving"	Ichiro Hirose (Sports Producer)

2002/10/07	"Technical development and technology transfer in biotechnology: Points at Issue"	Shigeaki Harayama (Chief Scientific Adviser, Biotechnology Center, National Institute of Technology and Evaluation)
2002/10/02	"The United States and the rest of the World, one year on from the simultaneous terrorist attacks"	Toru Takanarita (Editorial Writer, Asahi Shimbun)
2002/09/30	"How to Perceive the First Summit Meeting between Japan and North Korea and the Future Plan"	Shunji Hiraiwa (Associate Professor, University of Shizuoka)
2002/09/18	"What We All Can Learn from Enron"	Robert F. Grondine (ACCJ Chairman, WHITE&CASE LLP Partner)
2002/09/13	"Ways of Prosperity: Measuring Business"	Susumu Asanuma (President, Asanuma Giken Co., Ltd.)
2002/09/11	"The Cutting Edge in Value Creation of Bio-tech Ventures in Japan"	Yoshihiro Otaki (President, Biofrontier Partners, Inc.)
2002/09/10	"UK: From e.government to e.transformation"	Andrew Pinder (e-Envoy, Office of e-Envoy, British Government)
2002/09/06	"Is Kim Jong Il Becoming a Dove?"	Kenneth Quinones (Korean Peninsula Program Director, American Research Institute for Asia and the Pacific)
2002/09/06	"Comedy Business of the 21st Century"	Hiroaki Hayashi (President, Yoshimoto Kogyo Co., Ltd.)
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2003/03/20	"Determining Factors for the Long-term Continuation of Policies"	Kiyoshi Sawaki
2003/03/13	"Constructing a Small-sized Microeconomic Model for Policy Evaluation: Application to the Evaluation of Automobile Tax Policies"	Yoshitsugu Kanemoto, Katsuhito Hasuike (Nomura Research Institute, Ltd.), Toru Fujiwara (Graduate School of Economics, University of Tokyo)
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	"Forbearance Impedes Recovery of Confidence"	Keiichiro Kobayashi
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2002/04/04	"Economics of Modularity"	Kotaro Tsuru

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In this workshop series, lively policy viewpoints are exchanged among our fellows and guest speakers who are involved in the nation's policy formulation and implementation. (<http://www.rieti.go.jp/en/events/research-seminar/index.html>)

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2002/11/25	"On Emissions Trading"	Jingo Kikukawa (Industrial Science and Technology Policy and Environment Bureau, METI)
2002/09/17	"Towards the Realization of Public Private Partnership in Japan"	Sadahiro Sugita (Trade Policy Bureau, METI)
2002/06/17	"On the Risk Management of SME Finance"	Hiroo Mimata (Economic and Industrial Policy Bureau, METI)
2002/05/13	"Recent Trends and Challenges in Industry-university Cooperation"	Kazuo Katao (Industrial Science and Technology Policy and Environment Bureau, METI)
2002/04/15	"Recent Trends and Challenges in Policy on International Economy"	Takayuki Sumita (Trade Policy Bureau, METI)

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In order to make public as quickly as possible the results of theoretical research and policy analysis, discussion papers will be posted on our web site. This will stimulate further discussion on matters of policy and policy research. (http://www.rieti.go.jp/en/publications/act_dp.html)

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03-J-009	2003/06	"Vertical Intra-industrial Trade and Foreign Direct Investment in East Asia"	Kyoji Fukao
03-J-008	2003/05	"Supply Shock and Short-term Price Fluctuation"	Tsutomu Watanabe
03-J-007	2003/04	"Governance of the Digital Information: Toward an Economic Analysis of Intellectual Property Rights"	Nobuo Ikeda
03-J-006	2003/03	"Who Should Control Personal Information? "	Nobuo Ikeda
03-J-005	2003/03	"The Multifaceted Relationship Between a Parent Company and its Subsidiaries: The Governance of Subsidiaries"	Hideshi Ito
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02-J-009	2002/06	"Economics of Modularity"	Kotaro Tsuru
02-J-008	2002/06	"A Note on the Concept, Measurement and Strategy of Product Architecture"	Takahiro Fujimoto
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Review of Financial Reporting for Fiscal 2002

Assets

(1) Depreciation of tangible and intangible fixed assets is computed by using the straight-line method. Estimated useful life of major assets is as follows:

- Equipment: 4 - 8 years
- Software: 5 years

(2) With regard to software, an amount equivalent to the cost of software acquisition for corporate use is reported as part of intangible fixed assets.

Liabilities

(1) In accordance with the Incorporated Administrative Agency Accounting Standards, grants from the government are first recognized as "Reserved Grants for Operational Expenditure" in the Current Liabilities section upon receipt, which are then recognized as revenue in accordance with the progress of specific projects or operations for which the grants are designated. The amount reported in the financial statements represents the remaining outstanding balance—with the amount recognized as revenue deducted—as of term end. Such reserved grants carried over for the next fiscal year onward consist of (1) amounts to be expensed on the unexecuted portion of multiyear projects and operations, and (2) costs saved as a result of efficient implementation of projects and operations.

With respect to grant revenue recognition, a percentage-of-completion method based on expenditure, under which government grants are recognized up to the amount equal to expenditures on the relevant operations, has been used for fiscal 2001 and 2002. From fiscal 2003 onward, however, a percentage-of-completion method based on results accomplished (a percentage-of-completion method based on term with regard to personnel expenses and general administration expenses) will be adopted so that grants carried over for the future implementation of planned but unexecuted operations and those attributable to cost reduction efforts can be clearly distinguished to promote efficient use of government grants.

(2) Employee retirement bonuses are to be covered by grants for operating expenditures and therefore, in accordance with the Incorporated Administrative Agency Accounting Standards, provisions for employee retirement bonuses are not separately reported. Estimated outstanding obligations for employee retirement bonuses as of the end of the reporting term stand at ¥289,425,326.

Equity

Retained earnings as of the end of fiscal 2002, including ¥1,090,452 in total earnings for the year, totaled ¥1,650,107.

Balance Sheets (March 31, 2002 and 2003)

	FY2001	FY2002
Assets		
I Current Assets		
Cash and Bank Deposits	1,263,894,505	1,195,749,459
Unrealized Income from Research Activities	118,016,010	109,995,405
Inventories	109,032	176,959
Prepayment	7,776,780	2,279,264
Others	73,438	410,103
Current Assets Total	1,389,869,765	1,308,611,190
II Fixed Assets		
1. Tangible Fixed Assets		
Equipment	9,204,900	11,485,920
Accumulated Allowance for Depreciation	(1,321,351)	(2,813,095)
Tangible Fixed Assets Total	7,883,549	8,672,825
2. Intangible Fixed Assets		
Software	—	616,896
Intangible Fixed Assets Total	—	616,896
Fixed Assets Total	7,883,549	9,289,721
Total Assets	1,397,753,314	1,317,900,911
Liabilities		
I Current Liabilities		
Reserved Grants for Operating Expenditure	716,724,669	894,320,433
Deposits Received	5,792,255	6,376,840
Account Payable	655,143,716	400,535,460
Accrued Expenses Payable	11,649,470	5,728,350
Current Liabilities Total	1,389,310,110	1,306,961,083
II Long-term Liabilities		
Liabilities Invested in Capital Assets		
Reserved Grants	538,853	3,256,079
Value of Donated Goods Put in Reserve	7,344,696	6,033,642
Long-term Liabilities Total	7,883,549	9,289,721
Total Liabilities	1,397,193,659	1,316,250,804
Equity		
I Retained Earnings		
Reserve	—	559,655
Unappropriated Retained Earnings	559,655	1,090,452
(Of which, total current-term earnings)	559,655	1,090,452
Retained Earnings Total	559,655	1,650,107
Total Equity	559,655	1,650,107
Total Liabilities/Equity	1,397,753,314	1,317,900,911

Notes for Incorporated Administrative Agency Accounting Standards

Assets

Assets listed in corporate accounts consist of three types: current assets, fixed assets and deferred assets. Deferred assets, however, are not recognized under incorporated administrative agency accounting standards, and so assets in these statements are comprised of only current and fixed assets. Taking into consideration that the necessary financial resource measures are undertaken for the incorporated administrative agency each fiscal year, it is not appropriate for incorporated administrative agencies to record deferred assets. These will be handled as expenses incurred during the appropriate fiscal year.

Liabilities

The liabilities section includes two items that represent distinct features of the incorporated administrative agency standards. The first of these is reserved grants for operating expenditure. This item consists of the amount equivalent to the grants for operating expenditure total at the time it was received, less the amount recognized as income in that it reflects the current state of operations.

Liabilities invested in capital assets are posted in the long-term liabilities section. This entry represents, in line with the assumptions contained in the medium-term business plan, depreciable assets purchased by grant for operating expenditure or money donated in accordance with the intentions of donors, or for predefined applications.

Ordinary Expenses

(1) Of the amount reported as "Others" in the General Administrative Expenses section, ¥93,931,968 concerns properties donated by the government and the corresponding amount is reported as "Donated Goods" in the Ordinary Income section.

Ordinary Income

(1) A percentage-of-completion method based on expenditure, under which revenue is recognized up to the amount of expenses on the relevant operations and projects, is used for revenue recognition with respect to government grants for operating expenditures in fiscal 2001 and 2002. In fiscal 2002, ¥1.858 billion, which represents more than 90% of the budgeted ¥2.039 billion, was recognized as revenue from research activities and other operations as RIETI shifted into full swing.

(2) During fiscal 2002, RIETI undertook two commissioned projects which were a "project for establishing environments that facilitate university-oriented venture businesses" commissioned by the Ministry of Economy, Trade and Industry, and a "comprehensive research project on science and technology" commissioned by the Ministry of Education, Culture, Sports, Science and Technology.

(3) Miscellaneous income for fiscal 2002 represents the amount of foreign exchange gain on the payment of foreign currency denominated commissions for services provided by external sources.

Net Income and Total Earnings

Net income and total earnings for fiscal 2002 totaled ¥1,090,452 each as compared to ¥1,971,014,344 in total ordinary income which includes ¥1,858,071,456 in grants for operating expenditures and ¥109,995,405 in commissions.

Statements of Income (Years Ended March 31, 2002 and 2003)

(¥)

	FY2001	FY2002
I Ordinary Expenses		
1. Research Expenses:		
(1) Operating Expenses	675,922,570	726,285,574
(2) Personnel Expenses	434,356,952	427,173,570
(3) Depreciation Expenses	—	33,933
(4) Others	406,619,632	548,187,222
Total	1,516,899,154	1,701,680,299
2. General Administrative Expenses:		
(1) Personnel Expenses	123,092,110	109,040,483
(2) Depreciation Expenses	1,321,351	1,566,675
(3) Others	200,891,522	157,636,435
Total	325,304,983	268,243,593
Ordinary Expenses		
Total	1,842,204,137	1,969,923,892
II Ordinary Income:		
1. Grant for Operating Expenditure	1,331,645,181	1,858,071,456
2. Income from Dissemination of Material		
(1) Editing Fees	292,950	479,976
(2) Document Sales	121,000	271,304
Total	413,950	751,280
3. Commissioned Research	415,256,010	109,995,405
4. Donated Goods	93,931,968	—
5. Offsetting Revenues		
from Reserved Grants	10,297	289,554
6. Offsetting Amount Corresponding		
to Depreciation of Donated Goods	1,311,054	1,311,054
7. Financial Activities		
Interest Income	181,416	23,526
8. Miscellaneous Income	13,916	572,069
Ordinary Income		
Total	1,842,763,792	1,971,014,344
III Net Ordinary Income	559,655	1,090,452
IV Net Income	559,655	1,090,452
V Total Earnings	559,655	1,090,452

Ordinary Expenses Ordinary Income

In the incorporated administrative agency standard organization of earnings statements, expenses are listed at the top, followed by income.

Ordinary expenses include operating expenses, general administrative expenses, financial expenses and miscellaneous losses. Ordinary income includes, in addition to grant for operating expenditure, money donated, commissions, financial revenues and miscellaneous income.

Statements of Cash Flows (Years Ended March 31, 2002 and 2003) (¥)

	FY2001	FY2002
I Cash Flows from Operational Activities:		
Expenditures for Purchases		
of Products and Services	(125,958,274)	(1,012,725,396)
Personnel Expenses	(583,191,765)	(587,980,442)
Other Operational Expenses	(373,165,919)	(623,317,982)
Grant for Operating		
Expenditure	2,048,919,000	2,038,674,000
Income from Dissemination		
of Material	413,950	751,280
Income from Commissioned		
Research	297,240,000	118,016,010
Miscellaneous Income	13,916	572,069
Subtotal	1,264,270,908	(66,010,461)
Interest Reserved	172,747	32,195
Net Cash Provided		
by Operational Activities	1,264,443,655	(65,978,266)
II Cash Flows from Investing Activities:		
Expenditures for Acquisition		
of Tangible Fixed Assets	(549,150)	(2,166,780)
Net Cash Used in Investing Activities	(549,150)	(2,166,780)
III Cash Flows from Financial Activities	0	0
IV Increases in Cash		
and Cash Equivalents	1,263,894,505	(68,145,046)
V Cash and Cash Equivalents		
at the Beginning of the Year	0	1,263,894,505
VI Cash and Cash Equivalent		
at the End of the Year	1,263,894,505	1,195,749,459

Cash Flows

Cash flow statements for incorporated administrative agencies must be included as one part of the financial statements, and similarly to those of private-sector companies, these statements are divided into the three areas of cash flows from operational activities (for private-sector companies, operating activities for the purpose of commercial gain), investing activities and financial activities.

Costs of Providing Administrative Services

(1) "Expected Retirement Bonus Increases Not Covered by Reserves" is reported in an amount increased during each reporting year in the pro forma employee retirement bonus obligations based on voluntary retirement.

(2) An amount listed as "Opportunity Costs for Gratuitous Use of Government Assets," which primarily arises from the use of government building facilities, has been calculated based on rents charged for the use of nearby buildings.

Statements of Costs of Providing Administrative Services

(Years Ended March 31, 2002 and 2003)

(¥)

	FY2001	FY2002
I Operating Expenses	1,426,338,845	1,858,581,612
Expenses Listed on Income Statement		
Research Expenses	1,516,899,154	1,701,680,299
General Administrative Expenses	325,304,983	268,243,593
Total	1,842,204,137	1,969,923,892
(Deductions)		
Income from Dissemination Activities	(413,950)	(751,280)
Income from Commissioned Research	(415,256,010)	(109,995,405)
Income from Financial Activities	(181,416)	(23,526)
Miscellaneous Income	(13,916)	(572,069)
Total	(415,865,292)	(111,342,280)
II Expected Retirement Bonus Increases Not Covered by Reserves	20,254,911	26,322,215
III Opportunity Costs		
Opportunity Costs for Gratuitous Use of Government Assets	154,233,800	144,188,800
IV Total Cost of Providing Administrative Services	1,600,827,556	2,029,092,627

Statements of Appropriation of Retained Earnings (March 31, 2002 and 2003) (¥)

	FY2001	FY2002
I Unappropriated Retained Earnings	559,655	1,090,452
Total Earnings	559,655	1,090,452
II Total Appropriations		
Reserve	559,655	1,090,452

Costs of Providing Administrative Services

The Statement of Costs of Providing Administrative Services is a financial statement required under incorporated administrative agency accounting standards. Its purpose is to combine in one statement the costs (grant for operating expenditure, etc.) borne by taxpayers for the operation of an incorporated administrative agency, and by means of thorough information disclosure contribute to the evaluation and decision-making processes regarding the service provided for the taxpayers. The specific contents of this statement are as follows:

- (1) Expenses listed on the incorporated administrative agency's income statement, less income other than that based on grant for operating expenditure
- (2) Depreciation amount of depreciable assets that has been calculated in accordance with Section 77 - Depreciation Accounting Procedures for Specific Depreciable Assets
- (3) Estimated increases in retirement bonuses when reserves are not recorded, in accordance with Section 78—Accounting Procedures for Retirement Benefits
- (4) Opportunity costs arising from use of government assets

Incorporated administrative agencies are by law required to be evaluated by a third-party organization (as stipulated by Article 12 of the law concerning the General Rules of the Incorporated Administrative Agencies). The Incorporated Administrative Agency Evaluation Committee, under the Ministry of Economy, Trade and Industry, evaluated RIETI's performance for fiscal 2002. For our second year since being established, we were rated A (on a scale from AA to D) having shown both quality and quantity in the short period of time in which we have been carrying out our mission. This indicates a steady and satisfactory progression toward the achievement of our midterm goals.

With regard, especially, to the quality of service, which should be considered the most important objective, although we were told to work harder in having an impact on current policies, we received high evaluation overall.

Evaluation Item 1: Improvement in the quality of services offered to the public (A)

We were lauded for having grasped the needs of policymakers when defining our research clusters, using methods such as surveys, and employing an awareness of issues to guide our research themes. In terms of research activities, we were recognized for our achievements in reaching quantity indicators and a high academic level. However, these were the achievements of both full-time and part-time researchers, and the need to distinguish the institute's original research results was suggested for future examination. As to activities regarding promulgation of our achievements, there were many clear cases found of RIETI research having affected the policymaking process and we were praised for the various effective methods employed in disseminating our research to the public at large.

Evaluation Item 2: Improvement in efficiency of project management (B+)

Regarding the application of information systems, we were positively evaluated for policy research which utilized electronic conferencing and, moreover, our use of computerization in data and information manage-

ment. On the human resource development front, we have just introduced a personnel evaluation system to assess the performance of researchers and staff, with the results yet to follow.

Evaluation Item 3: Budget, income-expenditure plan and funding plan (B+)

Adequate budget management is being carried out and we received a high rating for cost-effectiveness compared to similar domestic organizations (policy research institutes). However, the fact that there are no similar agencies of an incorporated administrative nature was noted. On the subject of realized revenues, the unused 25% of budget was highlighted as a point for improvement in the future.

Evaluation Item 4: Other operational management matters and personnel planning (A)

In terms of personnel management, adequate deployment of human resources is being carried out, and a positive evaluation was given of our achievement of an 87% flexible employment system (with the provision of appointments with tenure, part-time positions, and concurrent posts) exceeding our goal of 50%.

<Evaluation process>

-
- Dec. 2, 2002: The Sixth Subcommittee Meeting of the Incorporated Administrative Agency Evaluation Committee for the Research Institute of Economy, Trade and Industry
-
- Jan.–Feb. 2003: Conducting of the survey to evaluate the operational affairs of the Incorporated Administrative Agency, the Research Institute of Economy, Trade and Industry. (The goal is to pursue the causal relationship between policy proposition and actual policy application.)
-
- Mar. 11, 2003: The first informal gathering for discussions by the subcommittee of the Evaluation Committee for the Research Institute of Economy, Trade and Industry
-
- May 26, 2003: The Seventh Subcommittee Meeting of the Incorporated Administrative Agency Evaluation Committee for the Research Institute of Economy, Trade and Industry
-
- June 12, 2003: The 11th Convening of the Incorporated Administrative Agency Evaluation Committee of the Ministry of Economy, Trade and Industry
-

For the fiscal year 2003, we will develop our research activities, through organizing research projects as stated below.

● Corporate Governance, Organization and Strategy

- Fiscal Reform
- Corporate Social Responsibility and Emerging Fund Channels
- SME Policies

● Regulation, Deregulation and Competitiveness

- Research on Recent Developments in Information Technology
- Considering New Systems to Regulate the Environment
- Designing Transaction Institutions
- Liberalization of Electricity Market

● Employment and Safety Nets

- Policies for Smoother Labor Movement
- Policies for Utilizing Women's Capabilities

● Innovation and University-Industry Cooperation

- STI (Science-Technology-Industry) Network

● International Economic Relations

- Impact of Overseas Operations of Japanese Firms on the Japanese Economy

● Political Economy and Public Policy Process

- Institutional Change
- Politics of Crisis
- Changes in Policy Networks: A Quantal Analysis
- Political Economy of the Economic Bubble Problem
- Policy-making Process in the US

● Macroeconomic Policy and Performance

- Fiscal Reform
- Corporate Social Responsibility and Emerging Fund Channels

There are many other individual projects going on.

Symposia scheduled for fiscal 2003

June 2003	RIETI Policy Symposium "Professional Approaches to Policy Making—Beyond NPM"
December 2003	RIETI Policy Symposium "System Design in the Age of Broadband II"
January 2004	ANEPR Symposium Series "Asia in Search of a New Order"
March 2004	RIETI Policy Symposium "Fiscal Reform of Japan: Redesigning the Frame of the State"

Publication scheduled for fiscal 2003

- "Liberalization of Electricity Market: Its Theory, Facts and Policy"
- "Realism on Global Warming"

* The above are both working titles.

Name E-mail RIETI Research Themes (As of August 31, 2003)

CRO

Masahiko Aoki
Professor, Stanford Institute Of Economic Policy Research
info@rieti.go.jp
Comparative Institutional Analysis, Fiscal Reform

Senior Fellows

Ichiro Hirose
info@rieti.go.jp
Sports Industry

Masato Hisatake
Director of Research
info@rieti.go.jp
Corporate Governance

Nobuo Ikeda
ikeda-nobuo@rieti.go.jp
Deregulation of Telecommunication

Toshihiro Kodama
kodama-toshihiro@rieti.go.jp
Policies for Smoother Labor Movement

Chi Hung Kwan
info@rieti.go.jp
Chinese Economy

Kazuyuki Motohashi
Associate Professor, Institute of Innovation Research,
Hitotsubashi University
motohashi-kazuyuki@rieti.go.jp
International Comparison of the Productivity among Asian
Countries (ICPA)

Naoko Munakata
Visiting Scholar, The Sigur Center for Asian Studies,
The George Washington University
munakata-naoko@rieti.go.jp
Economic Integration in East Asia

Hidetaka Saeki
Vice President
saeki-hidetaka@rieti.go.jp
Economic Integration in East Asia

Hiroya Tanikawa
info@rieti.go.jp
Considering New Systems to Regulate the Environment

Toshiya Tsugami
info@rieti.go.jp
Japan-China Industry Exchange

Kotaro Tsuru
tsuru-kotaro@rieti.go.jp
Fiscal Reform

Yoshinori Yokoyama
info@rieti.go.jp
Social System Design

Fellows

Koichi Akaishi
as of March 31, 2003

Gregory Jackson
gregory-jackson@rieti.go.jp
Corporate Governance in Japan

Kazunari Kainou
kainou-kazunari@rieti.go.jp
Quantitative Method of Policy Evaluation

Keiichiro Kobayashi
A guest editorial writer, The Asahi Shimbun
kobayashi-keiichiro@rieti.go.jp
Finance and Macroeconomics

Motoko Mekata
info@rieti.go.jp
Democratization of Diplomacy

Mieko Nakabayashi
Visiting Scholar, Johns Hopkins University
info@rieti.go.jp
Budget Formulation Process in the United States

Koichiro Nakamura
as of June 2, 2002

Nozomi Sagara
sagara-nozomi@rieti.go.jp
Decision-making Process of WTO

Akiko Sugaya
Part-time Professor, Research Center for Advanced
Science and Technology, University of Tokyo
AkikoSugaya@aol.com
Role of Libraries in Civilian Empowerment

Atsushi Sunami
as of August 10, 2003

Hirokazu Takizawa
takizawa-hirokazu@rieti.go.jp
Theory and Experiment on Institutional Changes

Schumpeter Tamada
Visiting Fellow, The University of Tokyo, Research Center
for Advanced Economic Engineering
info@rieti.go.jp
STI (Science-Technology-Industry) Network

Ichiro Uesugi
uesugi-ichiro@rieti.go.jp
Corporate Social Responsibility and Emerging Fund Channels

Research Associates		
Takuya Nakaizumi	as of March 31, 2003	
Riina Toya Part-time Lecturer of Ferris University	toya-riina@rieti.go.jp	Japanese Cultural Industry Overseas
Michael Yoo	silkroad100@hotmail.com	Security Issues on Northeast Asia
Faculty Fellows		
Masahiro Abe Assistant Professor of Dokkyo University	maabe@dokkyo.ac.jp	Corporate Governance
Yasuhiro Arikawa Associate Professor, Waseda University	info@rieti.go.jp	Corporate Governance
Hiroyuki Chuma Professor, Hitotsubashi University Institute of Innovation Research	chuma-hiroyuki@rieti.go.jp	Defining Factors of International Competitiveness in the Manufacturing Industry
Gerald Curtis Professor, Department of Political Science, Columbia University	info@rieti.go.jp	Domestic Japanese Politics and Society-Institutional Changes
Masayo Fujimoto Lecturer, Faculty of Letters, Doshisha University	info@rieti.go.jp	Research Themes Arising from the Analysis of Research Institutes
Takahiro Fujimoto Professor, Faculty of Economics, The University of Tokyo	fujimoto-takahiro@rieti.go.jp	Survey of Modularization in the Chinese Manufacturing Industry
Yukiko Fukagawa Professor, Graduate School of Arts and Sciences, University of Tokyo	fukagawa@boz.c.u-tokyo.ac.jp	East Asian Economic Integration and Institutional Convergence
Kyoji Fukao Professor, Institute of Economic Research, Hitotsubashi University	k.fukao@srv.cc.hit-u.ac.jp	Impact of Overseas Operations of Japanese Firms on the Japanese Economy
Kiminori Genba	as of March 31, 2003	
Yuko Harayama Professor, School of Engineering, Tohoku University	info@rieti.go.jp	Building an Evaluation System for Research Institutes
Tatsuo Hatta Professor, Center for Spatial Information Science, The University of Tokyo	info@neti.go.jp	Liberalization of Electricity Market
Yoshio Higuchi Professor, Faculty of Business and Commerce, Keio University	higuchi-yoshio@rieti.go.jp	Policies for Smoother Labor Movement
Masayoshi Honma Professor, Graduate School of Agricultural and Life Sciences, The University of Tokyo	info@rieti.go.jp	WTO and Agricultural Policy
Takeo Hoshi Professor University of California, San Diego (UCSD)	info@rieti.go.jp	Transformation of Japanese-style Corporate Governance
Jun Iio Professor of Government, National Graduate Institute for Policy Studies	iio@grips.ac.jp	Fiscal Reform
Hideshi Itoh	as of March 31, 2003	
Yoshitsugu Kanemoto Professor, Graduate School of Economics, Faculty of Economics, University of Tokyo	kanemoto@e.u-tokyo.ac.jp	Small-scale Methodology for Analyzing Impact of Regulation and Its Application
Sota Kato Associate Professor, University of Virginia	info@rieti.go.jp	Political Methodology
Koichi Kawabuchi Professor of Tokyo Medical and Dental University	kawabuchi.hce@tmd.ac.jp	Designing Balanced Scorecard for Health Care Industry
Toshiji Kawagoe Assistant Professor, Department of Complex Systems, Future University-Hakodate	kawagoe@fun.ac.jp	Theory and Experiment on Institutional Changes
Hiroki Kawai Associate Professor of Economics, Keio University	kawai-hiroki@rieti.go.jp	SME Policies
Kozo Kiyota Associate Professor, Faculty of Business Administration, Yokohama National University	info@rieti.go.jp	Impact of Overseas Operations of Japanese Firms on the Japanese Economy
Fumio Kodama Professor, Shibaura Institute of Technology	kodama-fumio@rieti.go.jp	STI (Science-Technology-Industry) Network
Akira Kotera Professor of Graduate School of Arts and Sciences, University of Tokyo	kotera@waka.c.u-tokyo.ac.jp	Global Governance and International Trade System
Ikuo Kume Professor of Graduate School of Law, Kobe University	info@rieti.go.jp	Politics of Crisis
Masaru Mabuchi Professor of Graduate School of Law, Kyoto University	mabuchi@law.kyoto-u.ac.jp	Politics of Crisis
Jianjun Meng Professor, School of Public Policy & Management, Tsinghua University	info@rieti.go.jp	Transformation of Chinese Economy

Hideaki Miyajima Graduate School of Commerce, Waseda University Waseda University, Institute of Financial Studies	miyajima-hideaki@rieti.go.jp	Corporate Governance
Michio Muramatsu Professor, Gakushuin University	michio.muramatsu@gakushuin.ac.jp	Political Economy of the Economic Bubble Problem
Kiyohiko Nishimura	as of March 31, 2003	
Kentaro Nobeoka Professor, Research Institute for Economics & Business Administration of Kobe University	nobeoka-kentaro@rieti.go.jp	Organizational Capability and Competitiveness
Ikujiro Nonaka	as of March 31, 2003	
Kenichi Ohno	as of March 31, 2003	
Tetsuji Okazaki Professor of Economics, University of Tokyo	okazaki@e.u-tokyo.ac.jp	Institutional Analysis of Economic History
Xu Peng Professor, Faculty of Economics, Hosei University	info@rieti.go.jp	Corporate Governance
Tatsuyoshi Saijo Professor, ISER, Osaka University	saijo@iser.osaka-u.ac.jp	Theoretical and Empirical Analysis of the Characteristics of Derivative Markets
Fumiki Sakurauchi Associate Professor, Faculty of Economics, Niigata University	VYC07645@nifty.com	Establishment and Theoretical Foundation of Public Accounting System
Mitsuhiro Seki Professor, Graduate School of Commerce and Management, Hitotsubashi University	info@rieti.go.jp	Industrial Cooperation in Northeast Asia
Kazushige Shimpō Associate Professor, Faculty of Business and Commerce, Keio University	shimpo@fbc.keio.ac.jp	Industrial Structure Analysis
Takashi Shiraishi Professor, Center for Southeast Asian Studies, Kyoto University	siraisi@cseas.kyoto-u.ac.jp	Japan and Asia, Rethinking Asian Regionalization
Yoshihide Soeya Professor of Political Science, Faculty of Law, Keio University	info@rieti.go.jp	Security Environment in Asia-Pacific
Toshiaki Tachibanaki Professor of Institute of Economic Research, Kyoto University	tachibanaki@kier.kyoto-u.ac.jp	Policies for Utilizing Women's Capabilities
Kuniaki Tanabe	as of March 31, 2003	
Shujiro Urata Professor, School of Social Sciences, Waseda University	surata@waseda.jp	Impact of Overseas Operations of Japanese Firms on the Japanese Economy
Tsutomu Watanabe Professor of Institute of Economic Research, Hitotsubashi University	info@rieti.go.jp	SME Policies
Noriyuki Yanagawa	as of March 31, 2003	

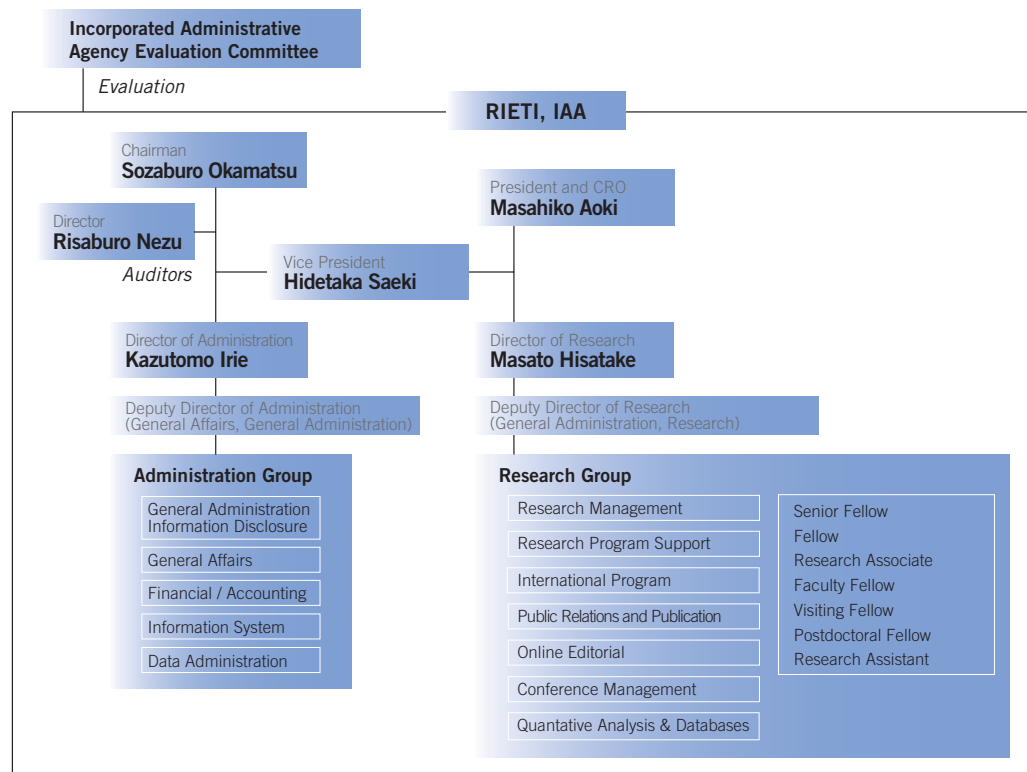
Consulting Fellows

Haruhiko Andoh Director, Economic and Fiscal Management, Cabinet Office	info@rieti.go.jp	Modularization and Venture Business
Takero Doi Senior Economist, Policy Research Institute, MOF	tdoi@econ.keio.ac.jp	Fiscal Reform
Robert Fauver	as of February 28, 2003	
Hidetaka Fukuda	as of March 31, 2003	Fiscal Reform
Ryozo Hayashi Director, Economic and Industrial Policy Bureau, METI	info@rieti.go.jp	
Masahiko Hosokawa	info@rieti.go.jp	
Hirohiko Izumida	as of March 31, 2003	
Nario Kadono Economic and Industrial Policy Bureau, METI	info@rieti.go.jp	Fiscal Reform
Yoshihiro Kaneko	as of March 31, 2003	
Kenichi Kawasaki Senior Research Fellow, ESRI, Cabinet Office Visiting Associate Professor, University of Tokyo	kenich.kawasaki@esri.cao.go.jp	Computable General Equilibrium Model on World Trade
Tsuyoshi Kawase Special Assistant to Director Multilateral Trade System Department, Trade Policy Bureau, METI	kawase-tsuyoshi@meti.go.jp	Present Picture of Safeguard Measures in the WTO Regime
Shuhei Kishimoto Director, Media and Content Industry Division, Commerce and Information Policy Bureau, METI	info@rieti.go.jp	Regional Economic Partnership and International Financial Cooperation in East Asia

Tomitaro Kitami Deputy Director, Industrial Organization Division, Economic and Industrial Policy Bureau, METI	kitami-tomitaro@meti.go.jp	Fiscal Discipline and Independence of Local Governments
Mitsuru Kitano Embassy of Japan in Vietnam	mitsuru.kitano@mofa.go.jp	Review of Current Economic Assistance
Hidehiro Konno Chairman and CEO, Nippon Export and Investment Insurance	konno-hidehiro@nexi.go.jp	
Curtis J. Mihaup	as of March 31, 2003	
Nobutaka Murao	as of December 25, 2002	
Ichiya Nakamura Executive Director, Stanford Japan Center Research	ichiya@aol.com	Policies on the Digital Distribution
Yoshiaki Nakamura	as of July 12, 2002	
Ichiro Nakayama Visiting Associate Professor, Research Center for Advanced Science and Technology, University of Tokyo	info@rieti.go.jp	Intellectual Property Rights System
Hiroaki Niihara Information Economy Division, Commerce and Information Policy Bureau, METI	info@rieti.go.jp	Fiscal Reform
Keita Nishiyama Trade Policy Division, Trade Policy Bureau, METI	info@rieti.go.jp	Personnel Policies of Government Officials
Hirokazu Okumura	as of March 31, 2003	
Ichiro Sakata Economic and Industrial Policy Bureau, METI	sakata-ichiro@meti.go.jp	Fiscal Reform
Akihiro Sawa Director, Agency for Natural Resources and Energy, METI	info@rieti.go.jp	Managing Public Policy
Kiyoshi Sawaki Deputy Director, Manufacturing Industries Bureau, METI	info@rieti.go.jp	Analysis on Sustainable Policy
Yoichi Takahashi Director, National and Regional Planning Bureau, MLIT	yoichi.takahashi@nifty.com	Fiscal Reform
Hideaki Tanaka Researcher, MOF, Policy Research Institute	info@rieti.go.jp	Fiscal Reform
Nobuo Tanaka Director-General, Multilateral Trade System Dept. METI	info@rieti.go.jp	Japan-US Relations
Shigeaki Tanaka JETRO Shanghai	tanaka-shigeaki@rieti.go.jp	
Fumiki Tanioka	as of March 31, 2003	
Tatsuya Terazawa JETRO	info@rieti.go.jp	University Reform
Yasufumi Uenishi General Manager, Tokyo Customs	info@rieti.go.jp	
Akihiro Yamamoto Economic and Industrial Policy Bureau, METI	info@rieti.go.jp	
Hironobu Yamanaka	as of March 31, 2003	
Takehiko Yasuda Director, Small and Medium Enterprise Agency	yasuda-takehiko@rieti.go.jp	SME Policies
Shin Yasunobe	as of March 31, 2003	

Visiting Fellows		
Ronald Dore	info@rieti.go.jp	
Mikiko Fujiwara	as of August 31, 2003	
Philippe Larrue	as of August 31, 2003	
Mari Sako	info@rieti.go.jp	Corporate Governance

Graduate Research Associates		
Futoshi Kurokawa	info@rieti.go.jp	
Takao Kusakawa Graduate School of Economics, Osaka University	kusakawa@iser.osaka-u.ac.jp	Designing Transaction Institutions
Kiri Sakahara	as of March 31, 2003	



Evaluation Subcommittee for Research Institute of Economy, Trade and Industry

An incorporated administrative agency sets definite targets and plans for its activities. It is evaluated by a third party organization to ensure the adequacy of these plans and the transparency of its performance. This third party organization is called the Incorporated Administrative Agency Evaluation Committee. A subcommittee established for each institution undertakes an objective evaluation of the effectiveness and adequacy of the institution's operations.

Subcommittee Head: **Yoshihiko Miyauchi**, *Chairman, Orix Corporation*

Naoshi Ogasawara, *Partner, Taiyo Audit Corporation*

Paul Sheard, *Chief Economist for Asia, Lehman Brothers Japan*

Koichi Nishioka, *Deputy Chief Editorial Writer, Nihon Keizai Shimbun, Inc.*

Yujiro Hayami, *Director, International Development Research Institute (IDRI)*

Yuko Fujigaki, *Associate Professor, Graduate School of Arts and Sciences, University of Tokyo*

Masaru Yoshitomi, *Dean, Asian Development Bank Institute*

Academic Advisory Board

We have established the Academic Advisory Board as an advisory organization in our medium- or long-term research system that provides recommendations on our direction and research subjects. The second meeting was held in May 2003 and the Board offered us much useful advice as to how we proceed on our research activities in the future.

Kenichi Imai, *Chairman of the Board, Stanford Japan Center*

Takenori Inoki, *Professor, International Research Center for Japanese Studies*

Masahiro Kuroda, *Trustee, Keio University*

Ikujiro Nonaka, *Professor, Graduate School of International Corporate Strategy, Hitotsubashi University*

Masahiro Okuno (Fujiwara), *Professor, Faculty of Economics, University of Tokyo*

Koji Sato, *Professor, Faculty of Law, Kinki University (Professor Emeritus of Kyoto University)*

(Listed in alphabetical order, as of August 2003)

Contact Information

Research Institute of Economy, Trade and Industry

<http://www.rieti.go.jp/en/>

Address

11th Floor, Annex, Ministry of Economy,
Trade & Industry (METI),
1-3-1, Kasumigaseki, Chiyoda-ku, Tokyo, 100-8901
JAPAN

Phone

+81-3-3501-1363

Facsimile

+81-3-3501-8577

E-mail

info@rieti.go.jp

Location of RIETI Office

