



The Research Institute of Economy, Trade and Industry (RIETI) was launched in April 2001 at the time of the establishment of the incorporated administrative agency system. Framed in response to the five-year medium-term objectives announced by the Minister of Economy, Trade and Industry, RIETI formulated its own medium-term plan and has been conducting research for the past four years on the basis of this plan. Specifically, our goal was to determine the immediate issues to be tackled, conduct studies and research on medium- and long-term reform of economic systems and then to provide research results and proposals based on theoretical and analytical foundations for the process of policy discussion and formulation. RIETI organized its research activities into nine clusters and, with the appointment of Dr. YOSHITOMI Masaru as President and CRO in 2004, identified six major common themes across the clusters and has been tackling specific research projects related to each of these themes. In addition, with the expansion of research fields, promotion of cross-disciplinary research, and vitalization of its international activities, RIETI also established the post of Research Counselor to support the President in order to enhance his overall capacity to provide guidance for RIETI's research activities.

The performances of incorporated administrative agencies are graded by the Evaluation Committee, and RIETI has fortunately been highly esteemed over the past four years. The dissemination of research results is vitally important for a policy research institution. In fiscal 2004, in addition to reporting research results on our website, we started issuing public relations newsletter *RIETI Highlight* in order to expand RIETI's research results dissemination activities. Through these channels, we hope that our research findings will attract the interest of experts such as policymakers and business leaders and that this will promote deeper understanding of RIETI's activities.

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OKAMATSU Sozaburo
Chairman



The Japanese economy today is faced with a myriad of challenges not yet experienced by other nations, which for RIETI is a goldmine full of issues to be tackled. To list just a few: the exit mechanism from deflation under a zero-interest rate climate, the critical fiscal state with an outstanding public debt to GDP ratio of nearly 200 percent, the national pension scheme and medical insurance system under declining population, the Asian currency regime including Chinese renminbi in an economically integrating Asia, the future shape of Japan's corporate governance amidst the crumbling main bank system, the sustainability of Japan's digital revolution symbolized by the new Three Sacred Treasures (flat panel TVs, DVD recorders, and digital cameras) that might be challenged by the fast product cycle in today's globalized markets, and approaches to innovation that can ensure its sustainability. To address these issues, RIETI has identified six major research areas as "Major Common Themes". RIETI strives to become Japan's intellectual headquarters by conducting overarching studies transcending traditional boundaries among ministries, and to serve as a new research platform inducing policy debates both in Japan and abroad.

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YOSHITOMI Masaru
President and Chief Research Officer