

Second medium-term plan (fiscal 2006–fiscal 2010)

Major Policy Research Domains



Adjacent Basic Research Areas



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

Notes : The following pages list main research projects. Fellows' titles are applicable for FY2010.
 Most research results shown in the following pages are downloadable from RIETI's website.
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Maintaining Economic Dynamism under the Adverse Demographic Conditions of Low Fertility and Aging Population

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

Introduction of Research Projects

I-1) The Japanese Economy under Low Fertility and Aging Population: From the perspectives of economic growth, productivity, labor force, and prices

Project Leader: YOSHIKAWA Hiroshi, RC & FF / Sub-Leader: UNAYAMA Takashi, FF

<Overview>

This project analyzes the impacts of low fertility and aging population on the Japanese economy, in particular from the aspects of economic growth, productivity, labor force, and prices. Technological progress is widely acknowledged as the key to economic growth under low fertility and aging population. And although product innovations are particularly decisive, the measurement of total factor productivity (TFP), which focuses on the supply side and “value added,” does not fully capture the impacts of product innovations on economic growth. This project researches product innovations both theoretically and practically. Additionally, productivity, human capital accumulation, household labor supply, and prices are also examined in the light of low fertility and aging population.

<Major Research Results>

Discussion Paper

- Product Innovation and Economic Growth, Part II: The role of intermediate goods for product innovation (YOSHIKAWA Hiroshi, ANDO Koichi and MIYAKAWA Shuko) (DP No. : 11-J-023)
- Consumption Responses to the Child Allowance (UNAYAMA Takashi) (DP No. : 11-J-021)
- Measuring Human Capital in Japan (MIYAZAWA Kensuke) (DP No. : 11-E-037)
- Quality of Labor, Capital, and Productivity Growth in Japan: Effects of employee age, seniority, and capital vintage (SHINADA Naoki) (DP No. : 11-E-036)
- The Dynamics of Knowledge Diversity and Economic Growth (Marcus BERLIANT and FUJITA Masahisa) (DP No. : 10-E-024)
- Educational Support and Individual Ability with Endogenous Fertility (OGURO Kazumasa, OSHIO Takashi and TAKAHATA Junichiro) (DP No. : 10-E-019)

Policy Discussion Paper

- Product Innovation and Economic Growth: Experiences of Japan (ANDO Koichi, UNAYAMA Takashi, KEIDA Masayuki, MIYAGAWA Shuko and YOSHIKAWA Hiroshi) (DP No. : 10-P-018)

Introduction of Research Projects

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

Project Leader: KOBAYASHI Keiichiro, SF

<Overview>

This project aims to develop a quantitative business-cycle model (macroeconomic model) for analyzing macroeconomic policies during a global financial crisis. Financial problems including those with the financial system and asset-based lending will be explicitly incorporated into the model. The goal of research is to contribute to the evaluation of macroeconomic policies by performing simulations with the model. As an attempt to develop new theories, search theory and monetary theory (particularly, the framework of Lagos and Wright) will be used to develop a new general equilibrium model capable of describing banking and financial crises. In addition, further research will be pursued on business cycle accounting (BCA) in an ongoing effort that began in fiscal 2005 (April 2005 through March 2006). In order to improve the usefulness of BCA as a practical analytical tool, research will be undertaken to explore its limitations and find possible ways for overcoming them. With the collapse of the post-Cold War pattern of economic growth, in which the financial sector-led U.S. economy continued to drive the global economy by serving as the ultimate consumer, global economic management is expected to undergo drastic changes in both practical and conceptual terms. In light of this prospect, this project aims to undertake broadly based research to explore possible future growth mechanisms for the global economy, thereby identifying the role of East Asia in that framework and setting the direction for Japan in rebuilding its economic and industrial structures.

Research themes addressed by this project are broadly classified into the following four categories:

- 1) Development of a quantitative business cycle model and BCA;
- 2) Comparative weighing of financial stabilization policies derived from the banking crisis model and macroeconomic policies;
- 3) Policies in times of economic crisis and economic structural changes in times of transition; and
- 4) Other related studies.

<Major Research Results>Discussion Paper

- Macro-econometric Models and the Outline of the MEAD-RIETI Model (FUKUYAMA Mitsuhiro, OIKAWA Keita, YOSHIHARA Masayoshi and NAKAZONO Yoshiyuki) (DP No. : 10-J-045)
- Financial Crises and Assets as Media of Exchange (KOBAYASHI Keiichiro) (DP No. : 11-E-012)
- A Bad-asset Theory of Financial Crises (KOBAYASHI Keiichiro) (DP No. : 11-E-011)
- A Model of Financial Crises: Coordination failure due to bad assets (KOBAYASHI Keiichiro) (DP No. : 11-E-010)
- A Financial Crisis in a Monetary Economy (KOBAYASHI Keiichiro) (DP No. : 11-E-009)
- An Application of Business Cycle Accounting with Misspecified Wedges (NUTAHARA Kengo and INABA Masaru) (DP No. : 11-E-005)
- Nominal Rigidities and News-driven Business Cycles in a Medium-scale DSGE Economy (NUTAHARA Kengo) (DP No. : 10-E-061)
- Asset Prices and Monetary Policy in a Sticky-price Economy with Financial Frictions (NUTAHARA Kengo) (DP No. : 10-E-060)

Policy Discussion Paper

- Constructing New Macroeconomic Models (KOBAYASHI Keiichiro) (PDP No. : 11-P-007)

CEPR-RIETI Workshop

“Deflation and Macroeconomic Policy: Japanese and European Perspectives” (2010/07/06)



I-2) Building a New Macroeconomic Model and Policies in Times of Economic Crisis
CEPR-RIETI Workshop:
“Deflation and Macroeconomic Policy: Japanese and European Perspectives” (2010/07/06)

I-3) An Empirical Study on Open Innovation

Project Leader: MOTOHASHI Kazuyuki, FF

<Overview>

The innovation system in Japan is characterized as “in-house compartment style,” but a shift to an “open innovation style” is becoming imperative in a world of stiff innovation competition due to technological progress and globalization. However, Japanese companies are still lagging behind their U.S. and European counterparts in this regard. In addition, it is important to take into account the differences in innovation processes across industries to analyze R&D collaborations. For example, the licensing of chemical compounds is important for pharmaceutical firms, while the formation of an “innovation ecosystem” is necessary for the electronics industry, in which the territory of products and business has become increasingly complex. Furthermore, in order to create an innovation system network where dynamic R&D collaborations are formed, the issue of how to promote high-tech startups bridging the “valley of death” between industry and academia is an important issue. This project endeavors to explain the process of “open innovation” in Japan through the quantitative analysis of patent datasets, licensing, and firm level performance.

<Major Research Results>

Discussion Paper

- Innovation and Entrepreneurship: A first look at linkage data of Japanese patent and enterprise census (MOTOHASHI Kazuyuki) (DP No. : 11-J-009, written in Japanese/DP No. : 11-E-007, written in English)
- Examining the University Industry Collaboration Policy in Japan: Patent analysis (MOTOHASHI Kazuyuki and MURAMATSU Shingo) (DP No. : 11-E-008)
- Bargaining in Technology Markets: An empirical study of biotechnology alliances (KINUKAWA Shinya and MOTOHASHI Kazuyuki) (DP No. : 10-E-020)

Policy Discussion Paper

- Empirical Analysis of IT and Productivity: Comparisons between Japan and the U.S. (MOTOHASHI Kazuyuki) (PDP No. : 10-P-008)

I-4) Toward a Comprehensive Resolution of Social Security Problems: A new economics of aging

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

<Overview>

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

<Major Research Results>

Policy Discussion Paper

- On a Need for a Comprehensive Panel Data on the Elderly in Japan (ICHIMURA Hidehiko) (PDP No. : 11-P-005)

Project URL

Japanese Study of Aging and Retirement (JSTAR) (<http://www.rieti.go.jp/en/projects/jstar/index.html>)

Introduction of Research Projects

I-5) International Comparison of Measures to Improve Work-life Balance and Consideration of Challenges Facing Japanese Companies

Project Leader: TAKEISHI Emiko, FF

<Overview>

In Japan, corporations play an important role in creating a society that values a work-life balance (WLB), and the goal of this research was to determine the problems that corporations face when introducing and implementing WLB policies and to examine necessary measures to resolve these issues. We analyzed the policies and the current state of corporations and the workplace in Japan by comparing them to systems and policies in Europe and the U.S. and conducted surveys and interviews of corporations and other entities in England, Sweden, and the Netherlands. Using this data that makes international comparisons possible, we conduct an empirical study of the present state and issues related to WLB in Japan, which we then tie to important proposals.

<Major Research Results>Discussion Paper

- Work-life Balance in Sweden: Working in a flexible and autonomous manner (TAKAHASHI Mieko) (DP No. : 11-J-040)
- WLB in the UK: Present situation and challenges for national and corporate initiatives, suggestions for Japan (YAJIMA Yoko) (DP No. : 11-J-039)
- Work Life Balance Programs at Workplaces in the U.S. (KUROSAWA Masako) (DP No. : 11-J-038)
- Working Hours and Satisfaction: A comparative analysis of Japan, the United Kingdom, and Germany (ASANO Hirokatsu and KENJOH Eiko) (DP No. : 11-J-037)
- Preferred Work Hours of Japanese, UK, and German Workers: Estimating labor supply elasticity based on hypothetical questions (KURODA Sachiko and YAMAMOTO Isamu) (DP No. : 11-J-033)
- Do Work-life Balance Policies Increase a Firm's Total Factor Productivity?: Evidence from panel data of Japanese firms (YAMAMOTO Isamu and MATSUURA Toshiyuki) (DP No. : 11-J-032)
- Human Resources Management and Effective Function of WLB Policies: A cross-national comparison of influence on workplace productivity (MATSUBARA Mitsuyo) (DP No. : 11-J-031)
- Work Life Balance in the Netherlands: Flexible working hours and a flexible working place (KENJOH Eiko) (DP No. : 11-J-030)
- Corporate and Workplace Challenges for Work-life Balance (TAKEISHI Emiko) (DP No. : 11-J-029)
- Firms are Creating Negative Stereotypes of Female Employees: Theoretical analyses of two kinds of self-fulfilling prophecies and their counter measures (YAMAGUCHI Kazuo) (DP No. : 10-J-049)
- Firm's Demand for Work Hours: Evidence from multi-country and matched firm-worker data (KURODA Sachiko and YAMAMOTO Isamu) (DP No. : 11-E-024)

Policy Discussion Paper

- Challenges for Realizing a Work-life Balance: Suggestions based on international comparative research (TAKEISHI Emiko) (PDP No. : 11-P-004)

I-6) Macroeconomic and Fiscal Simulation Analysis toward a Sustainable Public Pension System

Project Leader: NAKATA Daigo, F

<Overview>

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

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

<Major Research Results>Policy Discussion Paper

- Social Security System and Public Finance: Sustainability, efficiency, and equity (NAKATA Daigo and MORIKAWA Masayuki) (PDP No. : 10-P-011)

I-7) Risk-sharing and Matching in Industrial Agglomeration

Project Leader: OKAZAKI Tetsuji, FF

<Overview>

Given the serious unemployment problems in many countries around the world, it is very important to understand the mechanisms of “risk-sharing” and “matching” that are at work in the labor market, both from the academic and practical standpoints. Based on such observations, this research project analyzes the relationships between industrial agglomeration and risk-sharing/matching in the labor market, using micro-data that provide detailed information on present-day Japan. First, based on the work of Overman and Puga (2009), we examine the relationship between the magnitude of idiosyncratic risk faced by individual plants in a particular industry and the degree of industrial agglomeration. Then, we test the risk-sharing function of industrial agglomeration.

<Major Research Results>

[Discussion Paper](#)

➤ Industrial Agglomeration and Labor Market Pooling (NAKAJIMA Kentaro and OKAZAKI Tetsuji) (DP No. : 11-J-025)

I-8) Fundamental Research for Creation of a Vibrant Economy and Society in Japan: From the perspectives of complexity

Project Leader: NISHIMURA Kazuo, FF

<Overview>

In major fields such as the economy, social security, healthcare, education, employment, etc., Japan’s conventional or ongoing systems are deadlocked. Stopgap measures are not the solution as they are only temporarily effective and they cost a lot. Viewing Japan’s economy and society as complex systems, we can find some intrinsic and preexisting conditions behind the phenomena. If we can change such intrinsic conditions, the dynamic movements generated from those systems could surely be improved. This project is intended to implement a theoretical study of economic issues, from micro- to macroeconomic, using complexity theory and the approaches in nonlinear dynamics.

To study the target issues, this project focuses on the following two main points. One is the impact on growth and stabilization of the economy comprised of heterogeneous economic agents, and the other is the impact on decision-making and economic growth generated by human resources.

With respect to the first point, we are going to carry out a basic analysis of the international correlation of business cycles; thereafter we will analyze the interlinkage of business cycles of the countries in terms of international trade in cases where there are relationships of interdependence through external effects among many countries.

With respect to the second point, we are going to pay attention to various factors of human resources and analyze the roles played by such factors in the context of economic growth and economic cycles. In particular, we intend to analyze the roles played by education and discuss possible models of ideal education systems. At the micro level, we intend to analyze how the way economic agents perceive things could impact their learning and decision-making, by means of measuring brain activity in individuals and other neuroeconomic methods.

<Major Research Results>

[Discussion Paper](#)

➤ Comparing Annual Incomes of Science Graduates and Arts Graduates: Results of an analysis based on JHPS data (URASAKA Junko, NISHIMURA Kazuo, HIRATA Junichi and YAGI Tadashi) (DP No. : 11-J-020)

Other research results in Domain I

<Research results independent from any research project>

[Policy Discussion Paper](#)

➤ Low Fertility, Aging Population, and Economic Growth (YOSHIKAWA Hiroshi) (DP No. : 11-P-006)

<Research results belonging to research projects prior to fiscal 2009>

Project Title: Empirical Analyses Relating to IT and Productivity

Project Leader: MOTOHASHI Kazuyuki, FF

[Discussion Paper](#)

➤ Construction of Electronics Database for East Asian Countries and Empirical Analysis of International Competitiveness of Japanese Companies (MOTOHASHI Kazuyuki) (DP No. : 10-J-028)

➤ Empirical Study of IPTV Diffusion: Comparison between Japan and Korea (KINUGASA Satoshi, MOTOHASHI Kazuyuki, Yeong-Wha SAWNG and TERADA Shinichiro) (DP No. : 10-E-021)

Project Title: Economic Growth under Conditions of Low Fertility and Aging Population

Project Leader: YOSHIKAWA Hiroshi, RC & FF

[Policy Discussion Paper](#)

➤ Change in Plant Ownership and Impact on Product Strategy and Productivity in New Industry: Japanese cotton spinning industry, 1900-1911 (OKAZAKI Tetsuji) (PDP No. : 10-P-009)

II

Promoting Innovation and Strengthening International Competitiveness

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

Introduction of Research Projects

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

Project Leader: NAGAOKA Sadao, RC & FF

<Overview>

By combining the results of the RIETI survey of Japanese inventors conducted for this project with other related statistics such as patent data (JPO and USPTO) and the Basic Survey of Japanese Business Structure and Activities, we intend to conduct an in-depth study of the innovation process in Japan, shedding light on policy issues for enhancing innovation. Major research agenda include 1) to identify the invention history of the inventors who responded to our survey in order to analyze the careers of inventors in Japan and 2) to conduct a new inventor survey in cooperation with leading academics in Europe, using a uniform questionnaire on the inventions made by the inventors in the U.S., Japan, and Europe with a priority between 2003-2005. 3) We planned to hold the RIETI international workshop "New Firm Creation and Innovation" in order to examine the performance of startups, which is one of the major differences between the innovation systems in Japan and the U.S. Due to the Great East Japan Earthquake, however, we had to cancel the workshop as the keynote speakers could not come to Japan. We plan to publish the research result as a working paper next fiscal year. 4) Although we planned to hold the Second Asia Pacific Innovation Conference, where the results of this research project would be presented, in cooperation with Hitotsubashi University and the WIPO, in order to promote the international discussions on innovation research, we had to cancel the conference in Japan due to the earthquake. We plan to hold the conference in Singapore in smaller scale in FY 2011.

<Major Research Results>Discussion Paper

- Patent and Knowhow Licensing in Japan (NISHIMURA Junichi and OKADA Yosuke) (DP No. : 11-J-012)
- The Structure of the R&D Lag in Japanese Firms: R&D project, patent application and commercial use (SUZUKI Jun) (DP No. : 11-J-002)
- Intrinsic and Extrinsic Motivations of Inventors (OWAN Hideo and NAGAOKA Sadao) (DP No. : 11-E-022)
- Standards as a Knowledge Source for R&D: A first look at their incidence and impacts based on the inventor survey and patent bibliographic data (TSUKADA Naotoshi and NAGAOKA Sadao) (DP No. : 11-E-018)
- An Analysis of Unilateral and Cross-licensing based on an Inventor Survey in Japan: Effects of uncertainty, rent dissipation and a bundle of patents on corporate licenses (NAGAOKA Sadao) (DP No. : 11-E-004)
- Ownership Structure and Productivity of Vertical Research Collaboration (NAGAOKA Sadao) (DP No. : 10-E-064)
- Incentive Pay or Windfalls: Remuneration for employee inventions in Japan (ONISHI Koichiro and OWAN Hideo) (DP No. : 10-E-049)

Policy Discussion Paper

- Innovation Process in Japan and the U.S.: Major findings from the RIETI inventor surveys (NAGAOKA Sadao) (PDP No. : 10-P-013)

II-2) Productivity of Industries and Firms and Japanese Economic Growth

Project Leader: FUKAO Kyoji, FF

<Overview>

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

<Major Research Results>

Discussion Paper

- Japan's Exports and Employment (KIYOTA Kozo) (DP No. : 10-J-029)
- Globalizing Corporate Activities in East Asia and Domestic Operations: Further evidence from Japanese manufacturing firms (ANDO Mitsuyo and KIMURA Fukunari) (DP No. : 11-E-034)
- Trade Liberalization and FDI Strategy in Heterogeneous Firms: Evidence from Japanese firm-level data (HAYAKAWA Kazunobu and MATSUURA Yoshiyuki) (DP No. : 11-E-033)
- Simulating Heterogeneous Multinational Firms (Shawn ARITA and TANAKA Kiyoyasu) (DP No. : 11-E-025)
- Accounting for China's Growth in 1952-2008: China's growth performance debate revisited with a newly constructed data set (Harry X. WU) (DP No. : 11-E-003)
- Global Fixed Capital Investment by Multinational Firms (René BELDERBOS, FUKAO Kyoji, ITO Keiko and Wilko LETTERIE) (DP No. : 10-E-044)
- Product Switching and Firm Performance in Japan (KAWAKAMI Atsushi and MIYAGAWA Tsutomu) (DP No. : 10-E-043)
- Productivity, Markup, Scale Economies, and the Business Cycle: Estimates from firm-level panel data in Japan (KIYOTA Kozo) (DP No. : 10-E-040)
- Why Do Some Firms Persistently Outperform Others? An investigation of the interactions between innovation and export strategies (ITO Keiko and Sébastien LECHEVALIER) (DP No. : 10-E-037)
- Output Quality, Skill Intensity, and Factor Contents of Trade: An empirical analysis based on microdata of the Census of Manufactures (FUKAO Kyoji and ITO Keiko) (DP No. : 10-E-028)
- Working Hours of Part-timers and the Measurement of Firm-level Productivity (MORIKAWA Masayuki) (DP No. : 10-E-015)

Policy Discussion Paper

- Japan's TFP Growth Rates at the Industry Level and their Determinants: An analysis based on the JIP database (FUKAO Kyoji) (PDP No. : 10-P-012)
- Productivity Analysis based on Microdata of Government Statistics (ITO Keiko and MATSUURA Toshiyuki) (PDP No. : 10-P-010)
- Service Sector Productivity in Japan: The key to future economic growth (FUKAO Kyoji) (PDP No. : 10-P-007)
- The Structural Causes of Japan's "Two Lost Decades" (Young Gak KIM, FUKAO Kyoji and MAKINO Tatsuji) (PDP No. : 10-P-004)

RIETI/G-COE Hi-Stat International Workshop

"Establishing Industrial Productivity Database for China (CIP), India (IIP), Japan (JIP) and Korea (KIP)" (2010/10/22)

Project URL

Japan Industrial Productivity Database 2010 (JIP 2010) (<http://www.rieti.go.jp/en/database/JIP2010/index.html>)



II-2) Productivity of Industries and Firms and Japanese Economic Growth
 RIETI/G-COE Hi-Stat International Workshop:
 "Establishing Industrial Productivity Database for China (CIP), India (IIP),
 Japan (JIP) and Korea (KIP)" (2010/10/22)
 Left: Prof. Hak K. PYO (Seoul Univ.)
 Right: Prof. MIYAGAWA Tsutomu (RIETI/Gakushuin Univ.)

Introduction of Research Projects

II-3) Investigation and Research on Innovation Processes in Semiconductor Industries—Case study and analysis of electron microscopies, resist and packaging technologies

Project Leader: CHUMA Hiroyuki, FF

<Overview>

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

<Major Research Results>Policy Discussion Paper

➤ Exploring the Main Causes of Declining Competitiveness in Japanese Science-based Industries: Experiences in the semiconductor industry (CHUMA Hiroyuki) (PDP No. : 10-P-015)

II-4) Study on Intangible Assets in Japan

Project Leader: MIYAGAWA Tsutomu, FF

<Overview>

In this research project, we aim to further deepen our study of intangible assets in Japan at the macroeconomic, industry, and firm levels, building on the findings made in fiscal 2008 (April 2008 - March 2009) and fiscal 2009. At the macroeconomic level, we will extend the time-series estimates to date of Japan's overall investment in intangible assets by using data from the JIP Database. We will also develop time-series estimates by industry. At the firm level, we will conduct more detailed analysis, utilizing data obtained through our interview survey conducted over the past two years as well as micro-data collected in the Basic Survey on Japanese Business Structure and Activities and the Information and Communication Technology (ICT) Workplace Survey, both conducted by METI. Specifically, we will examine: 1) human resource management and its effects on firms' performance; 2) determinants of firms' decisions concerning intangible assets; 3) determinants and effects of organizational reform; 4) effects of intangible assets on firms' decisions concerning capital formation and research and development (R&D) investments; and 5) effects of financial resource availability on intangible assets. We would also like to expand the scope of our survey on intangible assets to include firms outside Japan and re-examine the relationship between intangible assets and firms' performance, in collaboration with researchers from the United States, Europe, and other Asian countries.

<Major Research Results>Discussion Paper

- Human Resource Development and Productivity of Japanese Firms: An empirical analysis using unique surveys on human resource management (MIYAGAWA Tsutomu, NISHIOKA Yumi, KAWAKAMI Atsushi and EDAMURA Kazuma) (DP No. : 11-J-035)
- The Role of Intangible Assets on the Economic Performances in Japan and Korea (MIYAGAWA Tsutomu and TAKIZAWA Miho) (DP No. : 11-J-018)

Policy Discussion Paper

- A Survey on Measurement and Economic Effects of Intangible Assets: Empirical studies at the aggregate, industry and firm levels (MIYAGAWA Tsutomu and Young Gak KIM) (PDP No. : 10-P-014)

II-5) Research on Productivity Growth in Service Sector

Project Leader: Hyeog Ug KWON, FF

<Overview>

The purpose of this project is to grasp productivity trends in the service sectors and then to inform the government on the best way to boost productivity in these sectors, which have seen poor productivity relative to the U.S. and EU. Specifically, we construct a productivity database at firm level using micro-data from government statistics and identify features and problems in Japan's service sectors compared with the manufacturing and construction sectors. In addition, we undertake concrete empirical analysis regarding the effect of ICT, human capital, new entrants and deregulation policies on productivity in the service sectors and provide specific policy implications based on our empirical findings.

<Major Research Results>Discussion Paper

- Productivity Dynamics and Japan's Economic Growth: An empirical analysis based on the Financial Statements Statistics of Corporations by Industry (INUI Tomohiko, Young Gak KIM, Hyeog Ug KWON and FUKAO Kyoji) (DP No. : 11-J-042)
- Entry of Foreign Multinational Firms and Productivity Growth of Domestic Firms: The case for Japanese firms (ITO Keiko) (DP No. : 11-J-034)
- A Comparison of TFP Levels of Listed Firms in the United States and Japan (Hyeog Ug KWON) (DP No. : 11-J-019)
- Market Power and TFP: Service differentiation in quality (KODAMA Naomi and KATO Atsuyuki) (DP No. : 10-J-058)
- Ownership Structure and TFP: Evidence from Japanese firms (Hyeog Ug KWON and Young Gak KIM) (DP No. : 10-J-050)
- Hospital Productivity: An analysis at medical-area level (MORIKAWA Masayuki) (DP No. : 10-J-041)
- Productivity of Banks and its Impact on the Capital Investments of Client Firms (MIYAKAWA Daisuke, INUI Tomohiko and SHOJI Keishi) (DP No. : 11-E-016)
- Similarities and Differences between the Manufacturing and the Service Sectors: An empirical analysis of Japanese automobile related industries (KATO Atsuyuki) (DP No. : 10-E-057)
- Economies of Scale and Hospital Productivity: An empirical analysis of medical area level panel data (MORIKAWA Masayuki) (DP No. : 10-E-050)

II-6) Differentiated Services and Productivity: Productivity analysis based on the monopoly competition model

Project Leader: KATO Atsuyuki, F

<Overview>

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

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

<Major Research Results>

[Discussion Paper](#)

➤ Mark-up, Productivity and Imperfect Competition: An empirical analysis of the Japanese retail trade industry (KATO Atsuyuki) (DP No. : 10-E-031)

II-7) Micro Econometric Analysis of Performance in the Service Industry

Project Leader: KONISHI Yoko, F

<Overview>

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

<Major Research Results>

[Discussion Paper](#)

- Productivity of Service Providers: Microeconomic measurement in the case of hair salons (KONISHI Yoko and NISHIYAMA Yoshihiko) (DP No. : 10-E-051)
- The Effects of Congestion and Skills at a Hair Salon on the Consumer’s Revisiting Behavior (KONISHI Yoko) (DP No. : 10-E-046)

II-8) Exploring New Economic Indicators based on Multi-tiered Network Analysis Indicators

Project Leader: TAMADA Schumpeter, FF

<Overview>

We investigate various kinds of interactions among firms in order to understand mechanisms creating innovations. Concretely, we will take the following approaches in this study:

- 1) We analyze networks that include one million Japanese firms as nodes and four relationships defined by joint-patent applications, stock-sharings, transactions and director-interlockings;
- 2) We calculate statistics based on topologies of the networks and discuss how the statistics are related to economical statistics; and
- 3) We re-define new nodes that are sets of firms and analyze the new networks. This enables us to understand what kinds of boundaries among firms are suitable for dividing firms from the view point of network topologies.

<Major Research Results>

[Discussion Paper](#)

➤ An Analysis of Transaction and Joint-patent Application Networks (INOUE Hiroyasu and TAMADA Schumpeter) (DP No. : 11-J-024)

Introduction of Research Projects

II-9) Evaluation of Corporate Tax

Project Leader: NIREI Makoto, FF

<Overview>

The corporate sector is the major source of economic growth and employment, and the taxation on its various activities calls for a careful and systematic evaluation of such policy intervention. To provide such an evaluation scheme, this project builds a numerical dynamic general equilibrium model tailored for Japanese policy environments, and aims to provide some estimates that characterize the impacts of taxation on corporate activities. Our goal is to contribute to the public discussion on the upcoming reform of tax credit schemes and the corporate tax rate.

<Major Research Results>Discussion Paper

➤ Investment Risk, Pareto Distribution, and the Effects of Tax (NIREI Makoto) (DP No. : 11-E-015)

II-10) Review and Future Issues of Intellectual Property Strategy

Project Leader: KUGAI Takashi, SF

<Overview>

Alarmed by the prolonged economic stagnation in the 1990s and the decline in the international competitiveness of Japanese industry, the Japanese government developed an intellectual property strategy at the initiative of the Prime Minister's Office in 2002. All ministries and agencies have since been pursuing the strategy. An intensive range of initiatives were adopted to facilitate the creation, protection and utilization of intellectual property. These initiatives include: the establishment of the Intellectual Property High Court; JPO's program for accelerating patent examinations; actions for collaboration between the industrial and academic sectors, such as the establishment of intellectual property offices at national universities; efforts to combat counterfeit goods and piracy; steps for promotion of patent distribution; legislation to protect new plant varieties and local brands; and a series of amendments to the Copyright Act to expand the content industry market. This study reviews the progress of the major action taken under the Intellectual Property Strategy at a time when four to five years have passed since these first measures were instituted. It also investigates new policy issues concerning intellectual property that are emerging amid subsequent changes in the economic environment, such as intensifying economic globalization, advances in technological innovations, and the rapid worldwide expansion of business using the Internet.

<Major Research Results>Policy Discussion Paper

➤ Evaluation and Future Direction of Intellectual Property Strategy—Setting out a new intellectual property policy (KUGAI Takashi) (PDP No. : 10-P-006)

Other research results in Domain II

<Research results independent from any research project>

Policy Discussion Paper

➤ Productivity of Japanese Firms and Innovation System: Bolstering growth potential (NAGAOKA Sadao) (PDP No. : 11-P-001)

<Research results belonging to research projects prior to fiscal 2009>

Project Title: An Integrated Approach to the Raising of Productivity at the Macro, Industry, and Company Levels

Project Leader: NISHIYAMA Yoshihiko, former FF

Discussion Paper

➤ An Econometric Analysis of Firm Specific Productivities: Evidence from Japanese plant level data (ICHIMURA Hidehiko, KONISHI Yoko and NISHIYAMA Yoshihiko) (DP No. : 11-E-002)

Project Title: Empirical Research into Software Innovation

Project Leader: TANAKA Tatsuo, FF

Discussion Paper

➤ Software Choice and Productivity in Japan—Custom software vs. packaged software (TANAKA Tatsuo) (DP No. : 10-J-027)

Project Title: An Empirical Analysis on the Increasing Complexity of Artifacts, Design Processes and Product Architectures

Project Leader: FUJIMOTO Takahiro, former FF

Policy Discussion Paper

➤ A Process Analysis of the “Design-based Comparative Advantage” Hypothesis (FUJIMOTO Takahiro) (PDP No. : 10-P-016)

Project Title: Construction of Eco-system for the Creation, Growth and Agglomeration of New Technology-based Firms (NTBFs)

Project Leader: NISHIZAWA Akio, former FF

Policy Discussion Paper

➤ Formation of High-tech Industry on the back of Thriving NTBFs (NISHIZAWA Akio) (PDP No. : 10-P-017)

Project Title: Study on Industrial Clusters

Project Leader: KODAMA Toshihiro, former Professor, Kyoto University

Policy Discussion Paper

➤ An Empirical Study for Demonstrating the Possibility of Forming Industrial Clusters Centered on Product-developing SMEs (KODAMA Toshihiro) (PDP No. : 10-P-030)



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

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

Introduction of Research Projects

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

Project Leader: WAKASUGI Ryuhei, RC & FF

<Overview>

In recent times, China has accomplished remarkable economic development and among developing countries has the strongest economic relationship with Japan. China is now Japan's largest trading partner and Japan is the third largest trading partner for China. Japan is also the second largest provider of foreign direct investment into China. It is this close economic relationship between the two countries that prompted policymakers and researchers to clarify the mechanism that supports China's current economic development. RIETI and the Development Research Center (DRC) of the State Council of the People's Republic of China concluded an agreement for research cooperation in 2006, which has allowed RIETI to conduct in-depth analyses of the Chinese economy. This research project thus conducts various empirical analyses using industrial and firm-level data from China and Japan to uncover the important aspects of the Chinese economy such as the spillovers from the increased presence of foreign invested enterprises (FIEs) or the internationalization of indigenous Chinese firms.

<Major Research Results>

Discussion Paper

- Assessing Anticipatory Effects in the Presence of Antidumping Duties: Canadian softwood lumber (KITANO Taiju and OHASHI Hiroshi) (DP No. : 10-E-059)
- How Do Chinese Industries Benefit from FDI Spillovers? (ITO Banri, YASHIRO Naomitsu, Zhaoyuan XU, Xiaohong CHEN and WAKASUGI Ryuhei) (DP No. : 10-E-026)

Policy Discussion Paper

- Globalization and China's Economic Growth (ITO Banri and YASHIRO Naomitsu) (DP No. : 11-P-002)

METI-RIETI APEC Symposium on Small and Medium Enterprises

"Strategy for Reinvigorating Economic Growth with a Dual Engine: SME and Asia-Pacific" (2010/10/01)

RIETI Special Seminar

"WTO 2020: 21st Century Trade Governance" (2011/02/02)



III-1) Research on Changes in Multinational Corporations, Trade Structures, and Market Institutions
RIETI Special Seminar:
"WTO 2020: 21st Century Trade Governance" (2011/02/02)
Prof. Richard E. BALDWIN (The Graduate Institute, Geneva)



III-1) Research on Changes in Multinational Corporations, Trade Structures, and Market Institutions
METI-RIETI APEC Symposium on Small and Medium Enterprises:
"Strategy for Reinvigorating Economic Growth with a Dual Engine: SME and Asia-Pacific" (2010/10/01)
Prof. AnnaLee SAXENIAN (Univ. of California, Berkeley)

III-2) Comprehensive Research on International Trade System

Project Leader: KAWASE Tsuyoshi, FF

<Overview>

This project aims to analyze important current issues concerning international economic laws for Japan and is divided into the following three sub-project areas:

- 1) Comprehensive research on WTO Subsidy Rules
This sub-project provides policy related analysis concerning the role of WTO Subsidy Rules in coping with enormous amounts of government aid in the wake of the financial crisis. We discuss possible exit strategies through countervailing duties and WTO dispute settlement procedures for the years following the provision of subsidies.
- 2) Research on ensuring implementation systems under a non-binding framework in the field of international public policy
It appears that APEC, which was established under a non-binding international agreement between the governments of participating nations, will have difficulty in fully implementing the Bogor goals by the end of 2010—the target year set to achieve such goals. Since Japan is the host nation for APEC 2010, this sub-project aims to provide the Japanese government with a well-informed contribution concerning valuable policy proposals on new non-binding implementation systems under the post-Bogor regime.
- 3) Research on WTO dispute settlement cases
Although the WTO Doha Round has stagnated, the WTO dispute settlement system has continued to function as an important tool to ensure market access. This sub-project studies and analyzes development of WTO case laws for the purpose of contributing to Japan's WTO legal strategy.

<Major Research Results>

Discussion Paper

- "Serious Prejudice" through the Use of Subsidies in the Agreement on Subsidies and Countervailing Measures in the WTO: Focusing on U.S. Upland Cotton case (HAMADA Taro) (DP No. : 10-J-030)
- Subsidies, Fisheries Management, and International Trade (JINJI Naoto) (DP No. : 10-E-023)

Policy Discussion Paper

- [2010-2011 WTO Case Review Series No. 2] China—Measures for Protection and Enforcement of Intellectual Property Rights (WT/DS362/R): Concerning disciplinary rules on enforcement under the TRIPS agreement (SUZUKI Masabumi) (PDP No. : 11-P-011)
- [2010-2011 WTO Case Review Series No. 1] Colombia—Indicative Prices and Restrictions on Ports of Entry (WT/DS/R366): Analysis of rulings on customs valuation agreement and GATT Article V (KOBAYASHI Kenichi) (PDP No. : 11-P-010)
- WTO Functioning as a Rules-enforcement Agency: Current state of dispute settlement procedures and multilateral surveillance (KAWASE Tsuyoshi) (DP No. : 10-P-019)

III-3) The Foreign Aid Governance

Project Leader: SAWADA Yasuyuki, FF

<Overview>

International debate on development aid is facing a major turning point. First, there has been a transition from aid for economic growth to aid for poverty reduction, from project-based aid to budget supports, from loan-centered aid to debt reduction aid and grants, and from bilateral to multilateral aid. Second, countries in Sub-Saharan Africa, which traditionally have been considered to have fallen into a poverty trap, started to exhibit sustainable growth even during the global recession following the collapse of Lehman Brothers. Third, emerging aid donor countries such as Korea, which joined the Development Assistance Committee (DAC) of the Organisation of Economic Co-operation and Development (OECD) in January 2010 and became an official donor, and China, which has expanded its own aid for various reasons such as developing natural resources in Africa, have been dramatically changing the global donor map. Fourth, there is stronger collaboration between aid and private funds, and new forms of aid such as public-private partnerships (PPP) and base of the pyramid (BOP) businesses have developed, transforming the nature of ODA. In RIETI's two Research Projects on Foreign Aid, which were undertaken 2006-2009, we conducted evidence-based policy analyses on aid effectiveness in Asia and Africa. We also investigated donors' aid allocation behavior and the effectiveness of technical cooperation aid, and in regard to private-public partnerships in the field of development aid, the development of possible micro-insurance schemes to manage and respond to the risk of natural disaster in Vietnam. In FY2010, we will also employ the results of these various research components to 1) make a quantitative comparison of the welfare impacts of various global risks of natural and human-made disasters; 2) quantify the impact of natural disasters on household welfare using Vietnamese micro-data; and 3) examine policies on private-public partnerships related to ODA and the possibility of ODA cooperation between Japan and Korea.

<Major Research Results>

Discussion Paper

- Aggregate Impacts of Natural and Man-made Disasters: A quantitative comparison (SAWADA Yasuyuki, Rima BHATTCHARYAY and KOTERA Tomoaki) (DP No. : 11-E-023)
- Self-production, Friction, and Risk Sharing against Disasters: Evidence from a developing country (SAWADA Yasuyuki, NAKATA Hiroyuki and KOTERA Tomoaki) (DP No. : 11-E-017)

Policy Discussion Paper

- Official Development Assistance for Poverty Reduction in Developing Countries (SAWADA Yasuyuki and TODO Yasuyuki) (PDP No. : 10-P-021)

RIETI Seminar

"East Asian Experience and South Korea-Japan Collaboration in Official Development Assistance" (2010/10/12)

Project URL

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

Introduction of Research Projects

III-4) Monetary Cooperation and an Optimal Exchange Rate Basket in East Asia

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

<Overview>

In the aftermath of the global financial crisis of 2007-2009, the key currency status of the U.S. dollar has been questioned. Several proposals have been made to reform the international monetary system. One of the main focuses of our project "Monetary Cooperation and an Optimal Exchange Rate Basket in East Asia" has been to create a basket currency (unit) in the East Asian region, with the presumption that making the intra-regional exchange rates stable, at around the basket currency unit, is desirable for the region. Research has been conducted on policy issues, including monetary and exchange rate policy, and private sectors' reactions to monetary and exchange rate changes, including behaviors that affect the pass-through of the exchange rate to domestic prices. We have published the Asian Monetary Unit (AMU) and its deviation indicators on the RIETI web page since 2005, contributing to research on the exchange rate coordination and trade invoicing in the region.

<Major Research Results>Discussion Paper

- Time Variations in the Exchange Rate Pass-through in Japan: A reexamination using the time-varying parameter VAR (SHIOJI Etsuro) (DP No. : 10-J-055)
- 2009 RIETI Survey on Currency Invoicing and Exchange Rate Risk Management of Japanese Firms (ITO Takatoshi, KOIBUCHI Satoshi, SATO Kiyotaka and SHIMIZU Junko) (DP No. : 10-J-032)
- New Estimates of the Equilibrium Exchange Rate: The case for the Chinese renminbi (SATO Kiyotaka, SHIMIZU Junko, Nagendra SHRESTHA and Zhaoyong ZHANG) (DP No. : 10-E-045)
- Determinants of Currency Invoicing in Japanese Exports: A firm-level analysis (ITO Takatoshi, KOIBUCHI Satoshi, SATO Kiyotaka and SHIMIZU Junko) (DP No. : 10-E-034)
- Regional Monetary Coordination in Asia after the Global Financial Crisis: Comparison in regional monetary stability between ASEAN+3 and ASEAN+3+3 (OGAWA Eiji) (DP No. : 10-E-027)

Policy Discussion Paper

- Global Imbalances and Currency Misalignments in Asia: An analysis with AMU (ITO Takatoshi, OGAWA Eiji and SHIMIZU Junko) (PDP No. : 10-P-023)

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

III-3) The Foreign Aid Governance
RIETI Seminar:
"East Asian Experience and South Korea-Japan Collaboration in
Official Development Assistance" (2010/10/12)

III-5) FTA Study

Project Leader: URATA Shujiro, FF

<Overview>

A free trade agreement (FTA) is an arrangement, under which trade barriers such as import tariffs on trade between FTA members are eliminated. FTAs increased sharply in the early 1990s and the pace of the increase has accelerated since the establishment of the World Trade Organization in 1995. Slow progress in multilateral trade negotiation is a very important factor behind the rapid increase of FTAs. The objective of this research project is to discern the impacts of FTAs on the foreign trade of FTA members. The analysis process is two-fold. First, researchers examine the usage of FTAs by companies, and then they investigate the impacts of FTAs on foreign trade. The countries selected for this study are Japan, China, South Korea, Thailand, and Australia.

<Major Research Results>

Discussion Paper

- Impacts of the Japan-Mexico EPA on Bilateral Trade (ANDO Mitsuyo and URATA Shujiro) (DP No. : 11-E-020)
- Use of FTAs in Australia (Richard POMFRET, Uwe KAUFMANN and Christopher FINDLAY) (DP No. : 10-E-042)
- Exporters' Response to FTA Tariff Preferences: Evidence from Thailand (Archanun KOHPAIBOON) (DP No. : 10-E-039)
- Business Use of FTAs in Korea (Inkyo CHEONG, Hansung KIM and Jungran CHO) (DP No. : 10-E-038)

Policy Discussion Paper

- A Study on the Economic Impacts of FTAs (URATA Shujiro and ANDO Mitsuyo) (PDP No. : 10-P-022)

III-6) Trade Agreements and Tax Systems

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

<Overview>

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

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

This problem is further complicated by the existence of bilateral tax agreements. Trade agreements frequently contain provisions for exemption from certain matters covered by tax agreements (as in the case of the General Agreement on Trade in Services [GATS] and Japan's economic partnership agreements). When exemptions are not stipulated, a series of other issues may arise, which go beyond how to modify domestic measures, how to make adjustments between the provisions contained in trade agreements and tax agreements. One of these issues is how to coordinate the dispute settlement procedures of the two types of agreements. With these issues in mind, small-scale study sessions will be organized with the participation of legal scholars and specialists specializing in the fields of international law, international economic law, tax laws, EU laws, etc. On occasion, researchers from the field of economics will also join the sessions.

<Major Research Results>

Discussion Paper

- The Significance and Problems of Tax Treaty Arbitration: An analysis of the new Japan-Netherlands tax treaty (KOTERA Akira) (DP No. : 11-J-036)
- Several Issues regarding the Mutual Agreement Procedures (ITO Tsuyoshi) (DP No. : 10-J-053)
- The Non-discrimination Clause under Bilateral Tax Treaties (MASUI Yoshihiro) (DP No. : 10-J-051)
- The Origin of Non-discrimination in Tax Conventions (FUCHI Keigo) (DP No. : 10-J-040)

Policy Discussion Paper

- Key Issues of Today's International Investment Agreements: Including their relationships with taxation (KOTERA Akira) (PDP No. : 10-P-024)

Introduction of Research Projects

III-7) Empirical Analysis of Trade Policy and Corporate Behavior

Project Leader: OHASHI Hiroshi, FF

<Overview>

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

<Major Research Results>Discussion Paper

- Are Capital Intensive Firms the Biggest Exporters? (Rikard FORSLID and OKUBO Toshihiro) (DP No. : 11-E-014)
- Does Japanese Liquor Taste Different?: Empirical analysis on the national treatment under the WTO (OHASHI Hiroshi, NAKAJIMA Kentaro and DOI Naoshi) (DP No. : 10-E-058)
- Environmental Outsourcing (OKUBO Toshihiro, Matthew A. COLE and Robert J.R. ELLIOTT) (DP No. : 10-E-055)
- Cross-border Alliances and Product Market Competition (TAKECHI Kazutaka) (DP No. : 10-E-054)

III-8) Study on Offshore Outsourcing by Japanese Firms

Project Leader : TOMIURA Eiichi, FF

<Overview>

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

<Major Research Results>Discussion Paper

- Spatial Relocation with Heterogeneous Firms and Heterogeneous Sectors (OKUBO Toshihiro and Rikard FORSLID) (DP No. : 10-E-056)
- Does Firm Boundary Matter? The effect of offshoring on productivity of Japanese firms (ITO Banri, TOMIURA Eiichi and WAKASUGI Ryuhei) (DP No. : 10-E-033)
- Offshoring and Corporate Headquarters: Evidence from Japanese firm-level data (TOMIURA Eiichi, ITO Banri and WAKASUGI Ryuhei) (DP No. : 10-E-032)
- Productivity Distribution, Firm Heterogeneity, and Agglomeration: Evidence from firm-level data (OKUBO Toshihiro and TOMIURA Eiichi) (DP No. : 10-E-017)
- Industrial Relocation Policy and Heterogeneous Plants Sorted by Productivity: Evidence from Japan (OKUBO Toshihiro and TOMIURA Eiichi) (DP No. : 10-E-016)

Policy Discussion Paper

- Offshore Outsourcing by Japanese Firms: An analysis based on micro data (TOMIURA Eiichi) (PDP No. : 10-P-020)

III-9) Study on International Trade and Firms

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

<Overview>

Recently there have been many theoretical analyses of whether high firm productivity promotes exports and foreign direct investment (FDI), and the global trend in research is to incorporate heterogeneity among firms in the analysis of international trade. However, there has been insufficient research on Japanese firms in respect to this issue. Deepening research in this field will make it possible for Japanese research groups to make international contributions to empirical research on this new trade theory as U.S. and European research groups have done. In addition, Japanese exports and FDI are very significant for maintaining economic growth and income levels. Therefore, the goal of this research project is to further new research and draw out the policy implications through an analysis of trade, overseas investment, and local production by Japanese firms using firm-level data and based on the latest results of theoretical and empirical research that focuses on the heterogeneity among firms. In FY2010, we will conduct research on various topics including the impact that firm heterogeneity has on international trade, factors that determine exports, FDI, R&D activities at the firm level, and the relationship between international trade and labor markets, in particular the impact of international trade on regular and non-regular employment.

<Major Research Results>

Discussion Paper

- Meaning of FDI toward Emerging Economies—An analysis of firm heterogeneity model (ITO Koji) (DP No. : 10-J-047)
- Temporary Workers, Permanent Workers, and International Trade: Evidence from Japanese firm-level data (MATSUURA Toshiyuki, SATO Hitoshi and WAKASUGI Ryuhei) (DP No. : 11-E-030)
- Temporary Jobs and Globalization: Evidence from Japan (MACHIKITA Tomohiro and SATO Hitoshi) (DP No. : 11-E-029)
- Does the Structure of Multinational Enterprises' Activity Affect Technology Spillovers? (JINJI Naoto, Xingyuan ZHANG and HARUNA Shoji) (DP No. : 11-E-027)
- Effects of CEOs' Characteristics on Internationalization of Small and Medium Enterprises in Japan (TODO Yasuyuki and SATO Hitoshi) (DP No. : 11-E-026)
- Heterogeneity and the Structure of Exports and FDI: A cross-industry analysis of Japanese manufacturing (TANAKA Ayumu) (DP No. : 11-E-001)

Policy Discussion Paper

- Globalization of Japanese Firms: An analysis based on firm-level data (WAKASUGI Ryuhei and TODO Yasuyuki) (PDP No. : 10-P-027)

Publication

Japan Going Back to a Less Developed Country, written by TODO Yasuyuki, Nikkei Publishing, December 2010

RIETI International Seminar

"International Trade, Firms, and the Labor Market" (2011/02/04)



III-10) Change in the Order among Big Powers and Japanese Diplomatic Issues

Project Leader: NAKANISHI Hiroshi, FF

<Overview>

Between 2008 and 2009, there were numerous developments including the inauguration of a new administration in the U.S., changes in China after the Beijing Olympics, and revival of Russia's diplomatic influence in its sphere of influence that heralded the largest restructuring of the international order since the end of the Cold War. After that, in 2010, the U.S. announced its intention to sign the Trans-Pacific Partnership (TPP) agreement, Chinese diplomacy became more hard-line, and Russian's stance toward the Northern Territories changed. On the other hand, elections in 2009 brought a new political party to power in Japan, but the new government's domestic and foreign policies remain unsettled, and the government is insufficiently responding to changes in the international environment. In this research, I clarify the nature of these changes, particularly in the international order since 2008, make forecasts of changes in the international arena, and consider, in a fundamental manner, how Japanese diplomacy should respond to these changes. I also provide advice on practical policies issues.

<Major Research Results>

Discussion Paper

- Transition to a Multipolar Global Order and Diplomatic Challenges for Japan (NAKANISHI Hiroshi) (DP No. : 10-J-048)

Introduction of Research Projects

III-11) The Environment and Trade

Project Leader: YAMASHITA Kazuhito, SF

<Overview>

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

<Major Research Results>Policy Discussion Paper

➤WTO and the Environment (YAMASHITA Kazuhito) (PDP No. : 10-P-026)

Publication

The Environment and Trade, written by YAMASHITA Kazuhito, Nippon Hyoronsha Co., Ltd., March 2011

**III-12) Study of the U.S. Foreign and Security Policy under the Obama Administration**

Project Leader: KUBO Fumiaki, FF

<Overview>

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

<Major Research Results>Discussion Paper

➤An Analysis of Foreign Policies of the Obama Administration: From January 2009 to May 2010 (KUBO Fumiaki) (DP No. : 10-J-044)

III-13) Research on the Internationalization of Corporate Activities and Competitiveness

Project Leader: YASHIRO Naomitsu, CF

<Overview>

The globalization of economic activity and the rapid catch-up of developing countries such as China and India have brought about a drastic change to Japan's economy and its enterprises. Japan needs to further intensify efforts to internationalize its economy and industry in order to utilize globalization as an opportunity to promote the development of Japanese firms and the economy as a whole. Previous studies have shown that firms engaged in exports or foreign direct investments enjoy higher performance than those that constrain their activities to the domestic market. This research aims to observe the internationalization of firms, not only by their trade or offshore production but from broader perspectives such as their innovation activities, to clarify the mechanism through which internationalization shapes such advantage. It also aims to provide a policy recommendation for the internationalization and growth of broader Japanese firms including small and medium enterprises.

<Major Research Results>Discussion Paper

➤Anatomy of Learning-from-exporting: Role of foreign knowledge acquisition (YASHIRO Naomitsu and HIRANO Daisuke) (DP No. : 10-E-053)

Policy Discussion Paper

➤Evaluating Japanese Exporters' Performance and Investment Behavior during the 2002-2007 Export Boom (YASHIRO Naomitsu and HIRANO Daisuke) (PDP No. : 10-P-005)

III-14) Research on the Internationalization of Corporate Activities and Innovation

Project Leader: YASHIRO Naomitsu, CF

<Overview>

The internationalization of corporate activities such as exporting or outward FDI is expected to provide opportunities for innovation through the absorption of knowledge and technology from foreign markets. On the other hand, inward FDI will result in increased participation of foreign capital in domestic firms, providing further opportunities for foreign knowledge transfer and spillover. While the effects of internationalization on a firm's growth and FDI spillovers are well explored topics, there are very few studies on possible complementarity between them. Since the essence of the so-called "learning-from-exporting" can be interpreted as an absorption of international knowledge spillover channeled by the trade of goods, these effects are essentially similar and it is likely that they are either complementary to or a substitute for a firm's growth.

This research explores the relation of using such data of Japanese and foreign firms. We offer new policy implications on the promotion of inward FDI, as well as the internationalization of a wider group of Japanese firms, including SMEs.

Other Research Results in Domain III

<Research results independent from any research project>

Policy Discussion Paper

➤ Globalization and International Economic Strategy (WAKASUGI Ryuhei) (PDP No. : 11-P-003)

<Research results belonging to research projects prior to fiscal 2009>

Project Title: Empirical Analysis of Change in the Comparative Advantage Structure in Trade in East Asia under the Modularization of Product Architecture

Project Leader: KUWAHARA Satoshi, former SF

Discussion Paper

➤ Structure of Comparative Advantage for Japan, South Korea, and China in East Asia based on Progress, Changes in the Shift to a Modular Product Architecture (KUWAHARA Satoshi) (DP No. : 11-J-001)

Project Title: The Rise of China and the Transformation of the East Asian Regional Order

Project Leader: SHIRAIISHI Takashi, former FF

Discussion Paper

➤ Laos: Seeking a relationship with China (HARA Yonosuke, YAMADA Norihiko and Souknilanh KEOLA) (DP No. : 11-J-007)

➤ China's Rise and Cataclysmic Changes on the Korean Peninsular (OOE Shinobu) (DP No. : 11-J-006)

➤ The Chinese Market and Thai Fragrant Jasmine Rice: Why does China, the world's largest rice producer, import rice from Thailand (MIYATA Toshiyuki) (DP No. : 11-J-005)

➤ Hong Kong as an Economic Gateway (HISASUE Ryoichi) (DP No. : 11-J-004)

➤ China's Rise as an Economic Power and the Future Direction of the Cross-strait Relationship (ITO Shingo) (DP No. : 11-J-003)

Project Title: Promoting East Asian Production Networks, the Unwinding of Global Imbalances, and the Resolution of the Economic Crisis

Project Leader: Willem THORBECKE, CF

Policy Discussion Paper

➤ The Appropriate Policy Mix for China (Willem THORBECKE) (PDP No. : 10-P-028, written in English/PDP No. : 10-P-029, written in Japanese)

Project Title: The Desirable Form of Legal Protection for Overseas Investments

Project Leader: KOTERA Akira, FF

Publication

International Investment Agreement: Legal protection through arbitration, written and edited by KOTERA Akira, Sanseido Publishing, April 2010



IV

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

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

Introduction of Research Projects

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

Project Leader: ODAKA Konosuke, Editor in Chief, HJTIP

<Overview>

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

This history of trade and industry policy will consist of 12 volumes. Volume 1 will present a general overview with chapters dedicated to specific time periods, while the remaining 11 volumes (arranged similarly to the organizational structure of the Ministry of International Trade and Industry) will provide detailed accounts of different policy fields with chapters organized by policy theme. We published Volume 4 and Volume 9 in March 2011 and plan to publish the remaining volumes in the near future.

<Project Leadership and Staff>

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

List of HJTIP Committee Members

Editor in Chief	ODAKA Konosuke (Professor Emeritus, Hitotsubashi University / Professor Emeritus, Hosei University)
Deputy Chief Editors	TAKEDA Haruhito (Professor, Graduate School of Economics, The University of Tokyo) NAKATA Tetsuo (Professor, Graduate School of Business, Doshisha University) MATSUSHIMA Shigeru (Professor, Graduate School of Management of Science and Technology, Tokyo University of Science)

Coordinating Lead Authors (one designated for each volume)

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

<Major Activities in fiscal 2010>

- Held meetings of the HJTIP committee.
- Examined related materials and exchanged opinions with those who were engaged in the planning and implementation of trade and industrial policy.
- Sought the opinions of METI about the draft and made adjustments.
- Undertook work for the publication.
- Published Volume 4 and Volume 9.



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

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



Introduction of Research Projects

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

Project Leader: WATANABE Tsutomu, FF / Sub-Leader: UESUGI Ichihiro, SF

<Overview>

1) Research project on financial and industrial networks

This project focuses on inter-firm as well as bank-firm networks, empirically examines their development over time, and evaluates their impact on economic activities including firm performance. We employ a unique firm-level database that identifies inter-firm and bank-firm networks for analysis. Current research interest of the project members is on the changes in these networks incurred by the recent economic downturn with a focus on: the effect of government interventions in the credit market on bank-firm relationships, the efficiency of the decision making process of financial institutions, and the impact of credit scoring loans which have been introduced by major financial institutions.

2) Research project on price and wage dynamics

The inflation rate in Japan was close to zero even during the bubble period in the late 1980s but has remained below zero since the latter half of the 1990s. This clearly suggests that the nature of the inflation process has changed in a manner that has made high inflation less likely than in the 1960s and 70s. The purpose of this project is to study the causes and implications of such a change in the inflation process. The key idea is that a decline in the inflation rate at the macro level should be closely related to changes in firms' microeconomic behavior. Based on this understanding, we will employ high frequency scanner data to investigate changes in firms' price setting behavior, and then look into its implications for the Phillips curve relationship. This year we will focus on the analysis of deflation over the last ten years using micro price data.

<Major Research Results>

Discussion Paper

- Are Lending Relationships Beneficial or Harmful for Public Credit Guarantees? Evidence from Japan's Emergency Credit Guarantee Program (ONO Arito, UESUGI Ichihiro and YASUDA Yukihiro) (DP No. : 11-E-035)
- The Evolution of House Price Distribution (OHNISHI Takaaki, MIZUNO Takayuki, SHIMIZU Chihiro, and WATANABE Tsutomu) (DP No. : 11-E-019)
- Financial Distress and Industry Structure: An inter-industry approach to the "Lost Decade" in Japan (OGAWA Kazuo, Elmer STERKEN and TOKUTSU Ichihiro) (DP No. : 10-E-048)
- Repayment Enforcement and Informational Advantages: Empirical determinants of trade credit use (UCHIDA Hirofumi, UESUGI Ichihiro and HOTEI Masaki) (DP No. : 10-E-041)
- Measuring Economic Localization: Evidence from Japanese firm-level data (NAKAJIMA Kentaro, SAITO Yukiko and UESUGI Ichihiro) (DP No. : 10-E-030)
- Small Business Credit Scoring: Evidence from Japan (HASUMI Ryo and HIRATA Hideaki) (DP No. : 10-E-029)

Policy Discussion Paper

- Mild Deflation alongside the Zero-bound Interest Rate (WATANABE Tsutomu) (PDP No. : 11-P-008)

Introduction of Research Projects

A-2) Empirical Analysis of Japan's Labor Market: Policy responses to fertility decline and population aging

Project Leader: KAWAGUCHI Daiji, FF

<Overview>

This project covers the following six themes:

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

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

<Major Research Results>Discussion Paper

- Applying the Mincer Wage Equation to Japanese Data (KAWAGUCHI Daiji) (DP No. : 11-J-026)
- Regional Economic Disparity: Real wages and happiness (MORIKAWA Masayuki) (DP No. : 10-J-043)
- Instability of Employment and the Lack of Work Life Balance: From the viewpoint of compensating wage differentials (MORIKAWA Masayuki) (DP No. : 10-J-042)
- Why Has the Fraction of Contingent Workers Increased? A case study of Japan (ASANO Hirokatsu, ITO Takahiro and KAWAGUCHI Daiji) (DP No. : 11-E-021)
- Insecurity of Employment and Work-life Balance: From the viewpoint of compensating wage differentials (MORIKAWA Masayuki) (DP No. : 10-E-052)
- Volatility, Nonstandard Employment, and Productivity: An empirical analysis using firm-level data (MORIKAWA Masayuki) (DP No. : 10-E-025)

A-3) Economic Analysis of Organizations and Institutions: The design of organizations and institutions to enhance corporate performance and growth

Project Leader: TSURU Kotaro, SF

<Overview>

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

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

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

<Major Research Results>Discussion Paper

- Managerial Entrenchment and Anti-takeover Provisions in Japan (HOSONO Kaoru, TAKIZAWA Miho and TSURU Kotaro) (DP No. : 10-E-022)

A-4) The Frontier of Corporate Governance Analysis: Evolution of the corporate system in Japan and the impact of the world financial crisis

Project Leader: MIYAJIMA Hideaki, FF

<Overview>

This project aims to examine the most urgent and crucial issues on corporate governance in Japanese firms. In this project, we will primarily focus on the causes and effects of increasing foreign institutional shareholders and the unwinding of cross shareholdings; redesigning a contingent governance structure following the collapse of the main bank system; clarifying the complementary or substitutional relationship between internal- and external governance; the control over business units or subsidiaries following the introduction of the holding company system; the regulation of financial institutions; and the theoretical reexamination of the complementarity of the various sub systems involved in corporate governance. By examining these topics, we expect to comprehensively clarify corporate governance in Japan, which is now characterized as the hybridization or rather combination of two different modes of relationships namely, market-based governance and relationship-based organizational structures. In this project, we also try to address the impact of the world financial crisis on the evolution of corporate governance in Japan. The research results of our team will be published by the end of spring 2011.

<Major Research Results>

Discussion Paper

- A Diversification of Ownership Structure and its Effect on Corporate Performance: Unwinding and resurgence of cross-shareholdings and the role of surging foreign investors (MIYAJIMA Hideaki and NITTA Keisuke) (DP No. : 11-J-011)
- Business Unit Governance in Japan: Focusing on corporate boundaries and two-layer agency relationships (AOKI Hidetaka and MIYAJIMA Hideaki) (DP No. : 10-J-57)
- Debt, Ownership Structure, and R&D Investment: Evidence from Japan (ARIKAWA Yasuhiro, KAWANISHI Takuya and MIYAJIMA Hideaki) (DP No. : 11-E-013)

Policy Discussion Paper

- Understanding the Development of Japanese Companies: Redesigning corporate governance arrangements after the crisis (MIYAJIMA Hideaki) (PDP No. : 11-P-009)

RIETI-Waseda University Policy Symposium

"Evolution of the Japanese Corporate System: Redesigning corporate governance following the financial crisis" (2011/03/07)

Project URL

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

A-5) Changes in the Socioeconomic Structure and Tax Reform

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

<Overview>

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

- 1) Analysis of transfer and incidence of corporate taxes;
- 2) Economic impact of tax-based public pension systems: simulation analysis using multi-sector overlapping generations model; and
- 3) Analysis of social security and taxation.

<Major Research Results>

Discussion Paper

- Economic Effects of Financing Public Pension Plans from Tax Revenue (HASHIMOTO Kyoji and KIMURA Shin) (DP No. : 10-J-038)
- On the Future of Government Subsidies to Health and Long-term Care Insurance (IWAMOTO Yasushi and FUKUI Tadashi) (DP No. : 10-J-035)
- A Simulation Analysis of the Incidence of Corporate Income Tax (DOI Takeru) (DP No. : 10-J-034)



A-4) The Frontier of Corporate Governance Analysis: Evolution of the corporate system in Japan and the impact of the world financial crisis
RIETI-Waseda University Policy Symposium:
"Evolution of the Japanese Corporate System: Redesigning corporate governance following the financial crisis" (2011/03/07)

Introduction of Research Projects

A-6) Reform of Labor Market Institutions

Project Leader: TSURU Kotaro, SF

<Overview>

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

<Major Research Results>RIETI Policy Symposium

“Restructuring Japan’s Employment and Labor Systems: Aiming for an abundance of creativity and vitality” (2010/04/13)

A-7) Study of a Self-supporting Regional Economic System

Project Leader: NAKAMURA Ryohei, FF

<Overview>

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

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

<Major Research Results>Discussion Paper

- Regional Potential and Wage Differentials, Simulation of Regional Integration and Employment Distribution across Regions: NEG approach by interregional input-output (IO) table (NAKAMURA Ryohei, IHARA Ryusuke and MORITA Manabu) (DP No. : 10-J-031)
- Emission Credit Trading and Regional Inequalities (TAKATSUKA Hajime and NAKAMURA Ryohei) (DP No. : 10-E-062)



A-6) Reform of Labor Market Institutions
 RIETI Policy Symposium:
 “Restructuring Japan’s Employment and Labor System: Aiming for an abundance of creativity and vitality” (2010/04/13)
 Left: Dr. TSURU Kotaro (RIETI)
 Right: Prof. HIGUCHI Yoshio (Keio Univ.)

A-8) Enterprise Law Project—Institutional complementarities among markets and laws

Project Leader: SHISHIDO Zenichi, FF

<Overview>

A firm is an incentive mechanism among those indispensable capital providers, i.e., shareholders and creditors as monetary capital providers, and management and employees as human capital providers. Markets and laws are two significant aspects of the infrastructure of the incentive bargaining of a firm. It is important to note that the law does not by itself affect the incentive bargaining among those four players, but rather affects it complementarily through markets. Also a specific law in many cases would not affect incentive bargaining independently, but rather complementarily with through laws. The objectives of this project are to reconstruct legal systems such as the enterprise law, which affect the incentive bargaining of a firm, and to stimulate efficient incentive bargaining at the firm level.

<Major Research Results>

[Discussion Paper](#)

- The Structure of Enterprise Law: Interrelationships among contracts, markets, and laws in the bargaining structure of the firm (SHISHIDO Zenichi) (DP No. : 10-E-063)

A-9) Theoretical Examination of Climate Change Policy under Open Economies

Project Leader: ISHIKAWA Jota, FF

<Overview>

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

<Major Research Results>

[Discussion Paper](#)

- Is Emission Trading Beneficial? (ISHIKAWA Jota, KIYONO Kazuharu and YOMOGIDA Morihiko) (DP No. : 11-E-006)
- Environmental Standards under International Oligopoly (ISHIKAWA Jota and OKUBO Toshihiro) (DP No. : 10-E-018)

A-10) The Design of an International Institution to Prevent Global Warming

Project Leader: FURUSAWA Taiji, FF

<Overview>

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

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

<Major Research Results>

[Discussion Paper](#)

- Contributing or Free-riding? Voluntary Participation in a Public Good Economy (FURUSAWA Taiji and KONISHI Hideo) (DP No. : 11-E-028)

Introduction of Research Projects

A-11) Globalization, Innovation, and Competition Policy

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

<Overview>

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

<Major Research Results>Discussion Paper

➤ Efficiency Considerations in Merger Regulation (KAWAHAMA Noboru and TAKEDA Kuninobu) (DP No. : 11-J-022)

A-12) Supply of Risk Capital in Japan and Related Policy Issues

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

<Overview>

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

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

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

<Major Research Results>Discussion Paper

➤ Japanese Banks' Decision Making Process in SME Lending: An analysis of the SME database and the utilization of investment and trust funds for SME financing (YOSHINO Naoyuki) (DP No. : 11-J-028)

A-13) Financial Stability and Economic Structure

Project Leader: GOTO Yasuo, SF

<Overview>

The relationship between finance and the real economy has been one of the long-term discussion topics among economists. However, in recent times in particular, this relationship has attracted more attention in view of the impact of financial factors on the real economy. This research project aims to empirically analyze the relationship between finance and the real economy, using time-series data and panel data. In doing so, we will focus on financial stability and the like on the side of finance and medium- to long-term factors associated with economic structures on the real economy side.

<Major Research Results>Discussion Paper

- Firm Dynamics and Changes in Firm Size Distribution: Non-parametric analysis of the effects of technological and other conditions (GOTO Yasuo) (DP No. : 11-J-041)
- Regional Financial Soundness and R&D Activities (DP No. : 10-J-052, written in Japanese/DP No. : 10-E-047, written in English)

A-14) A Study on the Reform of Governance Structure in the 1990s and Transformation of the Parliamentary System

Project Leader: NISHIGAKI Atsuko, SF

<Overview>

The political structural reform that took place in Japan in the 1990s (election system reform, Diet reform, and administrative reform) was based on the British parliamentary cabinet system (Westminster model). Now, Japan's parliamentary cabinet system is undergoing an overhaul. However, the formation process of the parliament and the legislation process are very different between the Parliament of England and Japan's traditional system. Furthermore, there are differences between the countries' two-house systems such as the role of the Parliament (Diet) and the Cabinet. Therefore, in order to move toward the intended direction of structural reform, we have highlighted the remaining areas of the current political system that still require reform. This project aims to point out the remaining issues and analyze the relation between the political mechanism and the basic structure of the parliamentary cabinet system by examining the constitution.

<Major Research Results>

[Discussion Paper](#)

➤The Parliamentary Cabinet System—Principles and Reality: Between constitutional scholarship and political science (NISHIGAKI Atsuko) (DP No. : 10-J-046)

A-15) International Cooperation for Improving Tax Compliance and How Japan Should Respond

Project Leader: ISHII Michitoo, SF

<Overview>

With the globalization of economic and financial transactions, the use of aggressive tax planning (ATP) schemes using tax shelters in tax havens has become widespread. Needless to say, for countries across the world, ensuring tax compliance has become a very serious issue both in terms of ensuring tax fairness and safeguarding sound national finances.

The move to seek international cooperation in this area has gained momentum particularly since 2008, following the revelation of cases of unprecedented international tax evasion and the outbreak of the global financial and economic crisis. In a series of international forums, including Group of Eight (G8) and Group of Twenty (G20) summits, as well as the Organisation for Economic Co-operation and Development (OECD), world leaders and delegates have renewed their recognition of the importance of ensuring tax compliance and corporate governance.

As the measures toward achieving that goal, the tax authorities of major countries have come to emphasize the importance of building an "enhanced relationship" with taxpayers that is firmly underpinned by mutual trust and understanding, rather than relying solely on enforcement measures against tax havens and taxpayers. This "enhanced relationship approach" is to improve compliance through the "real time solving" of tax problems in a prior confirmation-and-consent process after securing full disclosure and transparency of underlying transactions. Such an approach has already been adopted by the tax authorities of the United States and some European countries. Their experience has shown that the approach, in addition to contributing to the transparency and efficiency of both tax administration and taxpayers, also helps improve corporate governance through enhanced tax risk management on the part of companies.

In Japan, this poses an important issue that should be considered not only by the administrative authorities but also by the whole society, including companies and individuals as well as financial and capital markets, as part of initiatives for improving compliance, efficiency, and transparency. This research project aims to review and identify the significance of these recent moves toward international cooperation in tax compliance and consider how Japan can and should respond in its policies in the future.

<Major Research Results>

[Discussion Paper](#)

➤Notes: Several Problems with Advance Ruling (KOHYAMA Hiroyuki) (DP No. : 10-J-036)

➤International Cooperation for Improving Tax Compliance and How Japan Should Respond (ISHII Michitoo) (DP No. : 10-J-033)

A-16) Research Project on the Design for the Optimum Disclosure System

Project Leader: KOGA Chitoshi, FF

<Overview>

This project aims to establish an optimum disclosure system that ensures accountability of Japanese companies following the adoption of the International Financial Reporting Standards (IFRS). To be specific, in this project, a comprehensive research taking into consideration of both the disclosure system of financial vs. nonfinancial information (rule sector), and the auditing and internal control system (assurance/corporate governance sector) will be conducted to provide a grand design for the optimum disclosure system which best fits the Japanese style of business.

<Major Research Results>

[Discussion Paper](#)

➤Research Project on the Design for the Optimum Disclosure System Volume 5: An evaluation and future direction of quarterly disclosures in Japan (KAGAYA Tetsuyuki, NAKANO Takayuki, MATSUMOTO Yoshinao and MACHIDA Yoshihiro) (DP No. : 11-J-017)

➤Research Project on the Design for the Optimum Disclosure System Volume 4: Reinforcing audit quality through considering implications of evolving nature of IFRS (IGARASHI Norio, URASAKI Naohiro and MACHIDA Yoshihiro) (DP No. : 11-J-016)

➤Research Project on the Design for the Optimum Disclosure System Volume 3: The status quo and problems with the internal control report system (HASHIMOTO Takashi and MATSUMOTO Yoshinao) (DP No. : 11-J-015)

➤Research Project on the Design for the Optimum Disclosure System Volume 2: Sustainable growth of Japanese companies and the direction of non-financial information disclosure (KOKUBU Katsuhiko, SAKAUE Manabu, KOGA Chitoshi, KONISHI Noriyuki, HISAMOCHI Eiji, Jun YAO and SHIMADA Yoshinori) (DP No. : 11-J-014)

➤Research Project on the Design for the Optimum Disclosure System Volume 1: The introduction of IFRS and design of an optimal disclosure system (KOGA Chitoshi, KAGAYA Tetsuyuki, MUKAI Ichiro, URASAKI Naohiro and UMEHARA Hidetsugu) (DP No. : 11-J-013)

Introduction of Research Projects

A-17) Research Study on Japan's Third Sector as a Whole and its Current Business Status

Project Leader: USHIRO Fusao, FF

<Overview>

This project seeks to reveal an overall picture of Japan's third sector, whose importance as an entity for resolving social issues and addressing social needs continues to garner attention alongside that of government administration (public sector) and commercial enterprises (corporate sector). More specifically:

- 1) We will delineate the concept of a third sector, which encompasses a broad range of private corporations other than commercial enterprises, and present as far as possible an overall picture of the third sector in Japan;
- 2) We will examine the business status of third sector organizations and identify the management issues they confront; and
- 3) Taking the above into account, we will offer recommendations on infrastructure improvements needed to enable the third sector to fulfill the social roles required of it.

<Major Research Results>Discussion Paper

➤ Definition and Management of the Third Sector in Japan (USHIRO Fusao) (DP No. : 11-J-027)

A-18) Study on Factors of Regional Revitalization

Project Leader: OZAKI Masahiko, SF

<Overview>

The Japanese economy is losing the potential for economic growth under the adverse demographic conditions of low fertility and aging population. Specifically, in regional areas, economies have already been floundering and their status is becoming critical. If these regional economies are revitalized by the utilization of their unique resources, a recovery in the Japanese economy will become possible, along with the invigoration of Japanese innovation through the synergy of various local ideas. However, the efforts made regarding implementation of regional policies by the central government and the strengthening of local authorities, have not resulted in regional revitalization because of the following three issues.

- 1) The regional policies implemented by the central government may not correspond with the characteristics of each particular region.
- 2) Public policies in the local areas may lack a synchronicity from the viewpoint of economic theory, financial theory and organizational theory.
- 3) Public policies in the local areas may not be able to keep up to speed with changing regional needs.

The purpose of this research is to clarify the necessary factors to bring about regional revitalization, by considering the above-mentioned problems through literal research and hearing surveys.

<Major Research Results>RIETI-Kushiro Public University Symposium

"Achieving Community Development through Social Innovation" (2010/10/26)

Other Research Results in Adjacent Basic Research Area A**< Research results belonging to research projects prior to fiscal 2009>****Project Title: Study Group on Changes in Financial and Industrial Structures**

Project Leader: WATANABE Tsutomu, FF

Discussion Paper

➤ Japanese SMEs' Choice between Private Placement Bonds and Bank Loans (SATO Toyohiko and Peng XU) (DP No. : 10-J-056)

Project Title: Study of Entrepreneurs and Latent Entrepreneurs

Project Leader: YASUDA Takehiko, former FF

Policy Discussion Paper

➤ Analyzing the Relationships between Motivation, Entrepreneurship, and Performance: Implications for policy support (YASUDA Takehiko) (DP No. : 10-P-025)

Project Title: Empirical and Internationally Comparative Institutional Analysis of the Forms of Administrative and Financial Systems for Utilizing Infrastructure Assets to Invigorate Local Economies in an Era of Decentralization and International Competition

Project Leader: AKAI Nobuo, former FF

Publication*The Economics of Transport Infrastructure and Governance*, written by AKAI Nobuo, Yuhikaku Publishing, July 2010

A-18) Study on Factors of Regional Revitalization
RIETI-Kushiro Public University Symposium:
"Achieving Community Development through Social Innovation"
(2010/10/26)



B

Introduction of Research Projects

B-1) Searching for Optimal Copyright Protection Levels

Project Leader: TANAKA Tatsuo, FF

<Overview>

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

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

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

<Major Research Results>

[Discussion Paper](#)

➤ Do Illegal Copies of Movies Reduce the Revenue of Legal Products? The case of TV animation in Japan (TANAKA Tatsuo) (DP No. : 11-J-010)

B-2) Economic Analysis of Resource Management in the Fisheries Industry

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

<Overview>

The purpose of this project is to evaluate the performance and analyze the system of fishery resource management, primarily from an economic perspective, with the aim of contributing to the sustained use of Japan's fishery resources. As fishery resources have declined and the international economic environment has changed, the output of Japan's domestic fishery industry has dropped sharply in recent years. This situation calls for new countermeasures. Restoring natural resources through appropriate resource management and raising the profitability of the fishery industry by increasing efficiency are urgent issues.

Resource management based on economic incentives such as individual transferable quotas (ITQ, IQ) has been effective in various foreign countries. Major countries with fishing industries that introduced systems such as ITQs have improved their natural resources, raised the profitability of the fishery industry, and made the fishery industry more attractive. In addition, marine product eco-labels, an effort to restore natural resources driven by fisheries, distributors, and consumers, has spread to numerous foreign countries. It is extremely important to evaluate the economic benefits and impact on natural resource levels if Japan were to introduce new mechanisms such as the ITQ system and marine product eco-labels. This is important research that should be promptly undertaken so as not to lose the opportunity to make policy proposals. Clarifying the economic benefits of fishery resource management systems makes it possible to evaluate the particular systems from an economic perspective and can be expected to contribute to the design of such systems.

<Major Research Results>

[Discussion Paper](#)

➤ Eco-labeling of Fish and Fishery Products in Japan: Analysis of a web survey (MORITA Tamaki and MANAGI Shunsuke) (DP No. : 10-J-037)

➤ Efficiency of Individual Transferable Quotas (ITQs) when Fishers are able to Choose Vessel Sizes:
An experimental approach (HIGASHIDA Keisaku and MANAGI Shunsuke) (DP No. : 10-E-036)

➤ Shared Renewable Resource and International Trade: Technical measures for fisheries management
(TAKARADA Yasuhiro) (DP No. : 10-E-035)

[Publication](#)

Invitation to Resource Economics—The Fishing Industry as a Case Study, written and edited by TAKARADA Yasuhiro and MANAGI Shunsuke, Minerva Publishing, May 2010

[RIETI Seminar](#)

“Economic Analysis of Resources and Environmental Problems—Case study in fishery” (2010/05/20)



Introduction of Research Projects

Other Research Results in Adjacent Basic Research Area B**<Research results belonging to research projects prior to fiscal 2009>**

Project Title: *Simulation Models for Policy Evaluation*

Project Leader: KANEMOTO Yoshitsugu, former FF

[Discussion Paper](#)

➤ Impact of Tax Cuts on the Purchasing Behavior of Low-pollution Vehicles, Fuel-efficient Vehicles (FUJIWARA Toru) (DP No.: 11-J-008)



B-2) Economic Analysis of Resource Management in the Fisheries Industry
RIETI Seminar:
“Economic Analysis of Resources and Environmental Problems—Case study in fishery”
(2010/05/20)



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

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

Introduction of Research Projects

C-1) RIETI Data Management Project

Project Leader / Sub-Leader: TOMITA Hideaki Research Coordinator / OZAKI Masahiko, SF, KONISHI Yoko, F, Quantitative Analysis and Database Team

<Overview>

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

Having accumulated considerable expertise in handling micro-data being in the possession of METI, we will also try to create convertors for statistics data matching that enable researchers to quickly access and analyze micro-data. By enhancing our handling of data, we will be better equipped to deal with the new Statistics Act and improve the existing value and uniqueness of RIETI.

<Major Research Results>

Japanese Study of Aging and Retirement (JSTAR) (<http://www.rieti.go.jp/en/projects/jstar/index.html>)

Japan Industrial Productivity Database 2010 (JIP 2010) (<http://www.rieti.go.jp/en/database/JIP2010/index.html>)

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

RIETI-TID (<http://www.rieti.go.jp/jp/projects/rieti-tid/index.html>) (Japanese)

Long-term Inter-industry Input-output Database (<http://www.rieti.go.jp/jp/database/d01.html>) (Japanese)

Project for Quantitative Analysis of Microdata (<http://www.rieti.go.jp/jp/database/d02.html>) (Japanese)

RIETI Foreign Direct Investment Database (RIETI FDI Database 2010) (<http://www.rieti.go.jp/en/database/FDI2010/index.html>)

C-2) Research and Development for Next Generation Energy Statistics and for Analytical Systems of Supply and Demand Trends

Project Leader: KAINOU Kazunari, F

<Overview>

General Energy Statistic for Fiscal Year 2005 and Energy Balances by prefectures for Fiscal 2006, both developed by RIETI, are currently used as official statistics to provide a basis for national energy and environmental policies. However, in recent years, the government has launched new statistical research initiatives to develop statistics on energy consumption in the tertiary industry and statistics on automobile fuel consumption in the transportation sector, whereby a solid and reliable data foundation is being built to enable further improvement of estimation methods. Against this backdrop, RIETI will develop next-generation comprehensive energy statistics and a supply-demand analysis system for adoption in 2012 when the first commitment period under the Kyoto Protocol ends.

<Major Research Results>

Discussion Paper

➤ Verification and Evaluation of Limestone and Dolomite Origin CO₂ Emissions Using I/O Table and Industrial Statistics Data and Information in Japan (KAINOU Kazunari) (DP No. : 10-J-026)

Note: Discussion Papers listed below were published from April 2010 to March 2011.

Discussion Papers

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

DP No.	Date	Title	Authors	Project No.
Written in Japanese				
11-J-042	2011/3	Productivity Dynamics and Japan's Economic Growth: An empirical analysis based on the Financial Statements Statistics of Corporations by Industry	INUI Tomohiko (Economic and Social Research Institute) Young Gak KIM (Senshu University) Hyeog Ug KWON (RIETI/Nihon University) FUKAO Kyoji (RIETI/Hitotsubashi University)	II-5
11-J-041	2011/3	Firm Dynamics and Changes in Firm Size Distribution: Non-parametric analysis of the effects of technological and other conditions	GOTO Yasuo (RIETI)	A-13
11-J-040	2011/3	Work-life Balance in Sweden: Working in a flexible and autonomous manner	TAKAHASHI Mieko (Osaka University)	I-5
11-J-039	2011/3	WLB in the UK: Present situation and challenges for national and corporate initiatives, suggestions for Japan	YAJIMA Yoko (Mitsubishi UFJ Research and Consulting Co., Ltd.)	I-5
11-J-038	2011/3	Work Life Balance Programs at Workplaces in the U.S.	KUROSAWA Masako (National Graduate Institute for Policy Studies)	I-5
11-J-037	2011/3	Working Hours and Satisfaction: A comparative analysis of Japan, the United Kingdom, and Germany	ASANO Hirokatsu (Asia University) KENJOH Eiko (Asia University)	I-5
11-J-036	2011/3	The Significance and Problems of Tax Treaty Arbitration: An analysis of the new Japan-Netherlands tax treaty	KOTERA Akira (RIETI/The University of Tokyo)	III-6
11-J-035	2011/3	Human Resource Development and Productivity of Japanese Firms: An empirical analysis using unique surveys on human resource management	MIYAGAWA Tsutomu (RIETI/Gakushuin University) NISHIOKA Yumi (Rissho University) KAWAKAMI Atsushi (RIETI/Gakushuin University) EDAMURA Kazuma (Tohoku University)	II-4
11-J-034	2011/3	Entry of Foreign Multinational Firms and Productivity Growth of Domestic Firms: The case for Japanese firms	ITO Keiko (Senshu University)	II-5
11-J-033	2011/3	Preferred Work Hours of Japanese, UK, and German Workers: Estimating labor supply elasticity based on hypothetical questions	KURODA Sachiko (The University of Tokyo) YAMAMOTO Isamu (Keio University)	I-5
11-J-032	2011/3	Do Work-life Balance Policies Increase a Firm's Total Factor Productivity?: Evidence from panel data of Japanese firms	YAMAMOTO Isamu (Keio University) MATSUURA Toshiyuki (Keio University)	I-5
11-J-031	2011/3	Human Resources Management and Effective Function of WLB Policies: A cross-national comparison of influence on workplace productivity	MATSUBARA Mitsuyo (The University of Tokyo)	I-5
11-J-030	2011/3	Work Life Balance in the Netherlands: Flexible working hours and a flexible working place	KENJOH Eiko (Asia University)	I-5
11-J-029	2011/3	Corporate and Workplace Challenges for Work-life Balance	TAKEISHI Emiko (RIETI/Hosei University)	I-5
11-J-028	2011/3	Japanese Banks' Decision Making Process in SME Lending: An analysis of the SME database and the utilization of investment and trust funds for SME financing	YOSHINO Naoyuki (RIETI/Keio University)	A-12
11-J-027	2011/3	Definition and Management of the Third Sector in Japan	USHIRO Fusao (RIETI/Nagoya University)	A-17
11-J-026	2011/3	Applying the Mincer Wage Equation to Japanese Data	KAWAGUCHI Daiji (RIETI/Hitotsubashi University)	A-2
11-J-025	2011/3	Industrial Agglomeration and Labor Market Pooling	NAKAJIMA Kentaro (Hitotsubashi University) OKAZAKI Tetsuji (RIETI/The University of Tokyo)	I-7

DP No.	Date	Title	Authors	Project No.
11-J-024	2011/3	An Analysis of Transaction and Joint-patent Application Networks	INOUE Hiroyasu (Osaka Sangyo University) TAMADA Schumpeter (RIETI/Kwansei Gakuin University)	II-8
11-J-023	2011/3	Product Innovation and Economic Growth, Part II: The role of intermediate goods for product innovation	YOSHIKAWA Hiroshi (RIETI/The University of Tokyo) ANDO Koichi (Development Bank of Japan Inc.) MIYAKAWA Shuko (RIETI)	I-1
11-J-022	2011/3	Efficiency Considerations in Merger Regulation	KAWAHAMA Noboru (RIETI/Kyoto University) TAKEDA Kuninobu (Osaka University)	A-11
11-J-021	2011/3	Consumption Responses to the Child Allowance	UNAYAMA Takashi (RIETI/Kobe University)	I-1
11-J-020	2011/3	Comparing Annual Incomes of Science Graduates and Arts Graduates: Results of an analysis based on JHPS data	URASAKA Junko (Doshisha University) NISHIMURA Kazuo (RIETI/Kyoto University) HIRATA Junichi (Ritsumeikan Asia Pacific University) YAGI Tadashi (Doshisha University)	I-8
11-J-019	2011/3	A Comparison of TFP Levels of Listed Firms in the United States and Japan	Hyeog Ug KWON (RIETI/Nihon University)	II-5
11-J-018	2011/3	The Role of Intangible Assets on the Economic Performances in Japan and Korea	MIYAGAWA Tsutomu (RIETI/Gakushuin University) TAKIZAWA Miho (Toyo University)	II-4
11-J-017	2011/3	Research Project on the Design for the Optimum Disclosure System Volume 5: An evaluation and future direction of quarterly disclosures in Japan	KAGAYA Tetsuyuki (Hitotsubashi University) NAKANO Takayuki (Hosei University) MATSUMOTO Yoshinao (Kansai University) MACHIDA Yoshihiro (Aoyama Gakuin University)	A-16
11-J-016	2011/3	Research Project on the Design for the Optimum Disclosure System Volume 4: Reinforcing audit quality through considering implications of evolving nature of IFRS	IGARASHI Norio (Yokohama National University) URASAKI Naohiro (Kinki University) MACHIDA Yoshihiro (Aoyama Gakuin University)	A-16
11-J-015	2011/3	Research Project on the Design for the Optimum Disclosure System Volume 3: The status quo and problems with the internal control report system	HASHIMOTO Takashi (Aoyama Gakuin University) MATSUMOTO Yoshinao (Kansai University)	A-16
11-J-014	2011/3	Research Project on the Design for the Optimum Disclosure System Volume 2: Sustainable growth of Japanese companies and the direction of non-financial information disclosure	KOKUBU Katsuhiko (Kobe University) SAKAUE Manabu (Hosei University) KOGA Chitoshi (RIETI/Doshisha University) KONISHI Noriyuki (Aoyama Gakuin University) HISAMOCCHI Eiji (Surugadai University) Jun YAO (RIETI) SHIMADA Yoshinori (Kobe University)	A-16
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Policy Discussion Papers have a strong link to timely policy issues that Japan is facing. Available only in Japanese unless otherwise stated. (http://www.rieti.go.jp/en/publications/act_pdp.html)

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11-P-011	2011/3	[2010-2011 WTO Case Review Series No. 2] China—Measures for Protection and Enforcement of Intellectual Property Rights (WT/DS362/R): Concerning disciplinary rules on enforcement under the TRIPS agreement	SUZUKI Masabumi (Nagoya University)	III-2
11-P-010	2011/3	[2010-2011 WTO Case Review Series No. 1] Colombia—Indicative Prices and Restrictions on Ports of Entry (WT/DS/R366): Analysis of rulings on customs valuation agreement and GATT article V	KOBAYASHI Kenichi (RIETI/METI)	III-2
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