

Policy Research Index

No.6

Up Front

"China's Economic Prospects 2006-2020"

"China's Economic Prospects 2006-2020"

Jianwu He, Shantong Li, Sandra Polaski, Carnegie Endowment for International Peace, USA, *Carnegie Paper*, 200704, n83, pp.1-56, <http://www.carnegieendowment.org/publications/index.cfm?fa=view&id=19104&prog=zgp&proj=zted>

This paper from the Carnegie Endowment for International Peace considers the prospects for the Chinese economy up to 2020.

While China's phenomenal economic growth has significantly increased living standards and reduced the most extreme poverty in the country, approximately 70% of the population still survives on less than \$2 per day. This poverty is generally concentrated in China's rural areas, and it is the rural poor who will be most affected by the direction of China's economy for the next fifteen years.

In this study, the authors use general equilibrium models to study the effect of three different scenarios on the Chinese economy. The first scenario is a continuation of recent trends; the second, more optimistic, projects continuing growth in the world economy and improved resource allocation in China; the third, more pessimistic, projects increased trade tensions and less effective modernization in China. The greatest difference in economic impact between the optimistic and pessimistic scenarios is experienced by the rural poor. The gains for agricultural laborers are approximately half as great in the pessimistic as in the optimistic scenario. Under this scenario, there would be fewer opportunities for agricultural workers to find work in the city, and their wages would stagnate.

Based on their findings, the authors suggest that the stimulation of domestic demand rather than continued reliance on trade will be the key to employment creation in China. (China's accession to the WTO produced approximately 13 million jobs, only a small fraction of the estimated 300 million that the nation requires to achieve full employment). As policy responses, they propose policies that raise household incomes, particularly in rural and low-income urban households, in order to stimulate domestic demand. Fiscal and labor market policies will also be important. The authors suggest that the development of the service sector, in particular in the areas of education, health care and other personal services, may be one means of creating employment for surplus agricultural labor.

"India Environmental Outlook"

"India Environmental Outlook," M N Murty, Institute of Economic Growth (IEG), India, *IEG Discussion Papers*, No 118, 2007, pp. 1-49, http://iegindia.org/dis_118_2007.pdf

This paper published by India's Institute of Economic Growth (IEG) considers recent environmental projections and conducts an analysis from the perspective of India.

Projections of global climate change indicate the necessity for developing countries, in particular the

BRICs, to participate in international agreements that attempt to tackle the issues of climate change and conservation of biodiversity. The BRICs have a high level of biodiversity, high potential for the use of renewable energy sources, use energy technologies that produce high levels of emissions, and trade off environmental conservation against development, all of which necessitates their involvement in international frameworks. The author of this paper considers that the Kyoto Protocol and instruments like CDMs are ineffective because they provide insufficient incentive for developing countries to participate in reducing greenhouse gases. The distribution of the cost of conservation places a greater burden on developing countries than on developed countries. According to the author, international agreements must include incentives in the form of the transfer of technologies that enable substitution of renewable energy and compensate communities for the income that is lost in conserving forests and biodiversity.

South Asian countries can play an important role in international environmental efforts. It is predicted that the population of the region will reach 2 billion by 2030, and that its share in the world consumption of energy will double between 1980 and 2030, increasing to almost 10% by 2030. India's role is particularly important. The nation has to date embarked on a number of efforts to conserve the environment, becoming a signatory to the Kyoto Protocol, and approving numerous CDM projects. The country has further potential for forest-based CDM projects, in addition to significant potential for the exploitation of renewable energy sources, especially hydropower and biomass. In addition to these types of projects, according to the author India can also benefit from international cooperation in the area of domestic environmental regulations. India does not employ economic instruments such as emission taxes and marketable permits as part of its environmental efforts, and this is an area in which the experience of the OECD could assist the nation.

Focus Topic

"Is the American Dream Alive and Well?"

"Economic Mobility: Is the American Dream Alive and Well?"
John E. Morton, Isabel V. Sawhill, The Brookings Institution, USA, *Papers* (Brookings Economic Mobility Project), 200705, pp.1-12, <http://www.brookings.edu/views/papers/sawhill/200705.htm>

This paper considers economic mobility from the perspective of the Economic Mobility Project, a collaborative project between four leading US think tanks – The American Enterprise Institute, The Brookings Institution, The Heritage Foundation and The Urban Institute - and The Pew Charitable Trusts.

The "American Dream" has, according to the authors, unified Americans for more than two centuries. This dream is founded on economic mobility, which the authors describe as "the ability of people to move up or down the economic ladder within a lifetime or from one generation to the next." There is a strong belief in economic mobility in the US. Survey results indicate that Americans are more likely than citizens of other nations to believe that effort and talent are the keys to economic success, and less likely to believe that the income differences in their nation are too large, or that it is the responsibility of the government to reduce these differences in income.

However, recent studies indicate that there is less economic mobility in the US than in many other nations. Is America still "the land of opportunity"? The authors attempt to answer this question with a focus

on intergenerational economic mobility.

To gain a complete picture, both relative and absolute economic mobility must be considered. A focus on absolute mobility, a dynamic in which an increase in the economic level of the society as a whole increases the economic level of all its members, does not enable study of the change in the economic level of the members relative to one another. A focus on relative mobility delineates the latter, but does not tell us anything about the effects of economic growth.

Data indicates that relative mobility in America is lower than commonly assumed, and lower than relative mobility in other countries. Using the relationship between the incomes of parents and children as an indicator, the authors find that Germany is 1.5 times, Canada almost 2.5 times, and Denmark 3 times more mobile than the United States. However, the indicator employed is only one way of defining intergenerational relative mobility, and the authors point out that the Economic Mobility Project intends to further consider relative mobility using other forms of measurement and analysis.

In order to consider absolute mobility, the authors use US Census Bureau data to focus on the income of men in their 30s in each generation from 1925 to 1974. They find that absolute mobility is declining for a large number of Americans. In 2004, the median individual income of men in their 30s was on average 12% lower than it was for the previous generation at the same age in 1974. However, family incomes are on the rise. Families with men in their 30s earned 9% more in 2004 than equivalent families in 1974. This is mainly due to an increase in the number of working women. However, the pace of growth is slowing; between 1964 and 1994, the income of families with men in their 30s increased by 32%, while the increase between 1974 and 2000 was only 9%.

In addition, the authors find that it is not necessarily the case that economic growth will increase the economic level of all members of the society. Since the mid-1970s, the gap between productivity growth and growth in median family income has widened, especially since 2000. Although productivity is increasing, the benefits are not being widely shared. The model in which a “rising tide” of economic growth lifts all “boats” no longer applies.

The Economic Mobility Project intends to conduct more detailed research in order to answer numerous important questions regarding absolute and relative economic mobility in the United States. It will also attempt to propose a hybrid measure of economic mobility that combines the effects of absolute and relative mobility in order to show how they affect individual Americans.

This collaborative project by The American Enterprise Institute, The Brookings Institution, The Heritage Foundation, and The Urban Institute suggests the creation of a stronger network among US think tanks. While the AEI and Brookings have sometimes conducted collective projects, this project adds Heritage and the Urban Institute. The former has an ideological orientation that seems to be at odds with those of the other institutes; the latter is oriented towards contract research. This project illustrates the recent tendency among US think tanks to adopt a cooperative approach rather than defending ideological positions.

“Restructuring and the Competitiveness of Major Metropolitan Regions in Northeast Asia”

“Restructuring and Competitiveness of Metropolitan Regions in Northeast Asia”

Won Bae Kim, Hyungdo Ahn, Se Hoon Park, OK Ju Jeong and Sung Su Lee, Korea Institute for International Economic Policy (KIEP), South Korea, *Policy References* (KIEP), 200706, 07-03, pp.1-255

http://www.kiep.go.kr/eng/std_data_view.asp?num=178900&sCate=013002&sSubCate=&ITp=r&nowPage=1&listCnt=15

(Full text in Korean. English summary is available)

This paper discusses a comparative analysis conducted to determine the factors underlying competitiveness and change in competitiveness in Northeast Asian metropolitan areas. The study considers long-term competitiveness through an analysis of processes of economic and spatial restructuring. The authors consider competitiveness as the result of a process of feedback between regional assets and governance structures, in which regional actors respond to changes occurring inside and outside the region.

The analysis suggests that regional assets, including human resources, knowledge resources, economic structures, spatial infrastructure and sociocultural resources, have a strong correlation with indicators of the economic performance of the metropolitan regions studied. Based on their results, the authors classify both the Tokyo metropolitan region and the Seoul region as mature economies, driven by innovation. Metropolitan Busan, and the metropolitan regions of Beijing, Shanghai and Guangzhou, by contrast, are investment-driven economies.

The study finds overall that the long-term competitiveness of a region depends upon processes of restructuring and the expansion of regional assets, and that the actors and governance structures of a region are very important in innovation generation and processes of restructuring. The study also indicates that knowledge-based industries, in particular knowledge-based services, are essential to the future of metropolitan economies.

Policy Proposals by Japanese Think Tanks

“Reenergizing Japan's ASEAN Policy”

“Reenergizing Japan's ASEAN Policy”, Nobutoshi Akao, Japan Institute of International Affairs (JIIA), Japan, *AJISS-Commentary*, 200708, n10, http://www.jiia.or.jp/en_commentary/200708/02-1.html

ASEAN is an increasing presence on the world stage. Japan has made efforts over the past thirty years to establish close ties with ASEAN both politically and economically, but has recently lagged behind China in terms of diplomacy towards the region. This paper asserts that Japan must establish a proactive policy towards ASEAN. This involves six major strategies.

- 1) The revitalization of high-level diplomacy. The author believes that the Japanese prime minister should mark the 30th anniversary of the first summit meeting between ASEAN and Japan this year by visiting each of the ASEAN nations and attending meetings with ASEAN as a whole.
- 2) Increasing efforts to conclude high-quality EPAs (Economic Partnership Agreement) with ASEAN nations. Japan, with the US, is the ASEAN region's largest trade partner, and is a major investor in the region. This relationship would be enhanced by the conclusion of trade agreements with ASEAN and its member nations. While Japan has made moves in this direction, the author indicates that Japan should make more concessions in its trade agreements with ASEAN nations.

- 3) Maintaining official development assistance (ODA) to the region. The majority of Japan's foreign aid goes to ASEAN, but the amount provided has declined recently. Japan's ODA has made a significant contribution to the region's economic development, and the author contends that Japan should continue to provide large amounts of assistance, in particular to the new members of ASEAN.
- 4) Development of a cooperative monetary mechanism in Asia. Japan should continue to adopt a leadership role with regard to the Chiang Mai Initiative, and should also work to foster Asian bond markets.
- 5) Adoption of measures to increase regional security. Given the geopolitical importance of the ASEAN region to Japan, the nation should work to enhance cooperative security measures in the region, and should also assist the ASEAN Regional Forum in efforts towards the enhancement of confidence building and the promotion of preventive diplomacy.
- 6) Development of measures to deal with cross-border issues such as infectious diseases and drug trafficking. Measures in this area would include the provision of assistance to develop countermeasures against SARS and to enhance cooperation in energy security, energy efficiency measures and environmental protection.

ASEAN must accelerate the process of regional market integration in order to enhance its competitiveness. Japan can assist in this process, and this will also enable Japan to enhance its relationship with the region, which will be essential for Japan's economic vitality as its population ages and its birthrate shrinks.

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< Articles and Papers Relating to this Issue's Keywords >

(Please refer also to the URLs for the papers discussed above.)

Chinese Economy

"Industrial Networks between China and the Countries of the Asia-Pacific Region"

Hiroshi Kuwamori, Nobuhiro Okamoto, Institute of Developing Economies (IDE), Japan External Trade Organization (JETRO), Japan
Discussion Papers (IDE), 200706, n110, pp.1-57

<http://www.ide.go.jp/English/Publish/Dp/Abstract/110.html>

"What are the High-Probability Challenges to Continued High Growth in China?"

Wing Thye Woo, The Brookings Institution, USA, *Papers* (Brookings), 200705, pp.1-31

<http://www.brookings.edu/views/papers/20070522woo.htm>

Focus: "China and India"

Peter Mandelson, Assar Lindbeck, etc., Ifo Institute for Economic Research (Ifo), Germany

CES ifo Forum, 200704, v8 n1

http://www.cesifo-group.de/portal/page/portal/ifoHome/b-publ/b2journal/30pubforum/pubforum?item_link=forumindex1-07.htm

"China and Economic Integration in East Asia: Implications for the United States"

C. Fred Bergsten, Peterson Institute, Institute for International Economics (IIE), USA

International Economic Policy Briefs, 200703, PB07-03, pp.1-10

<http://www.iie.com/publications/interstitial.cfm?ResearchID=714>

Global Environmental Issue

"CDM potential of wind power projects in India"

Pallav Purohit, Axel Michaelowa, Hamburg Institute of International Economics (HWWI), Germany

HWWI Research Paper, 200706, Paper 1-8, pp.1-34

http://www.hwwi.org/uploads/tx_wilpubdb/HWWI_Research_Paper_1-8.pdf

"Can Congress Govern the Climate?"

Barry Rabe, The Brookings Institution, USA

Papers (Brookings), 200703, pp.1-14

<http://www.brookings.edu/views/papers/rabe/20070330.htm>

"An EU Outlook on the Future of the Kyoto Protocol"

Thomas Legge, Institute of International Affairs (IAI), Italy

The International Spectator, 200703, v42n1, pp.81-93

http://www.iai.it/sections/pubblicazioni/theinternationalspectator/issues/2007_1.asp

Aging

"A Social and Economic Model for Europe"

Marcel Canoy, Peter M. Smith, Hamburg Institute of International Economics (HWWA), Germany
Intereconomics: Review of European Economic Policy, 200612, Nov/Dec, vol.41 n 6, pp.314-327
<http://www.hwwa.de/Forschung/Publikationen/Intereconomics/2006/ie0606.pdf>

"An Optimal Rate of the National Burden in an Aging Japan"

Akira Okamoto, Research Institute of Economy, Trade and Industry (RIETI), Japan
Discussion Papers (RIETI), 200612, 06-E-036, pp.1-32
<http://www.rieti.go.jp/en/publications/summary/06120004.html>

Economic Mobility

"Pathways to the Middle Class: Ensuring Greater Upward Mobility for All Americans"

Hugh Price, Amy Liu, Rebecca Sohmer, The Brookings Institution, USA
Papers (Brookings Opportunity 08), 200702, pp.1-18
<http://www.brookings.edu/views/papers/liu20070228price.htm>

* Data listed -----

Article or paper title / Authors / Name of think tank / Series title or journal name / date / vol. no. / pages / URL

NEWS from NIRA

The National Institute for Research Advancement (NIRA) is an independent policy research institution established under the NIRA Act in 1974. At the end of June this year, the Japanese Diet passed an Act which will discontinue NIRA's status as a quasi-governmental organization. In accordance with this Act, NIRA will transform itself into an incorporated foundation by the end of March 2008.

This organizational transformation will increase the independence of NIRA's research and policy activities. The institute intends to develop its role as the core of a multi-disciplinary knowledge network, functioning as an intellectual hub that will encourage broad-rang of policy discussion. The institute timely disseminates its policy findings available to the policy community not only the policy specialists but also to the public who are the non-specialists.

Advancing these missions, NIRA will significantly contribute to the policy-making process. The major research areas of the newly organized institute will be 1) national politics, 2) international relations and 3) Japanese regional issues.

In line with its new missions, NIRA will renovate its research framework in a number of ways. The institute will:

- 1) Expand its role as the core of a multi-disciplinary knowledge network, collaborating with outside researchers and policy specialists.
- 2) Disseminate its research outputs promptly and timely, and widely available to the public.
- 3) Accumulate its research outputs as "policy resources", and
- 4) Enhance its regional research networks in Japan.

Policy Research Watch (PRW), a bibliographic database of the publications of think tanks worldwide, is a web-based project that has grown out of NIRA's World Directory of Think Tanks. One of NIRA's missions is to contribute as a "clearing house" for information on policy analysis and research conducted by policy research institutes. The Policy Research Index is designed to be a fundamental tool for policy researchers, particularly those with a global perspective. Please contact us at prwinfo@nira.go.jp for the registration to receive email newsletter regularly.

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