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Research Activities at the Contemporary China Research Base



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In 2010, China became the world's second largest economy. This achievement was the latest milestone in the long process of China's dynamic economic development and, since 2001, China has aimed to strategically transform its economic structure and its pattern of economic growth. What new economic policies has China adopted and how has it responded to global and domestic economic changes? Such questions emerging from China's economic development have attracted a range of analyses on many aspects of China's economy and society including its history, institutions, foreign relations, regional development, and social conditions. In order to develop a long-term perspective on China's economic development, the Contemporary China Research Base (CCRB) was established in the University of Tokyo's Institute of Social Science (ISS) in April 2007 as a collaboration between the University of Tokyo and the National Institutes for the Humanities (NIHU), an Inter-University Research Institute Corporation in Japan.

Social Science Japan Newsletter 48 features contributions from CCRB researchers who report on their research activities and introduce some of their recent findings. Tajima Toshio reviews the CCRB's economy subgroup's research on China's economic growth in its historical context and through cross-national comparison by focusing on heavy industry and agriculture. In particular, his report highlights how the industrial organization of China's heavy industries is becoming less centralized, both geographically and in terms of state control. Kawashima Shin summarizes the research activities of the CCRB's Chinese foreign aid research subgroup. Specifically, he reports how the group reassessed "China's global expansion" by visiting nations in Africa, Latin America, and Southeast Asia to learn about the implications of China's activities overseas. Next, based on his five years of experience working for NIHU, Kajima Jun shares his views of the state of China studies in Japan and methods of conducting collaborative research. He draws our attention to the difficulty of organizing China area studies into a unified project. Taking a chronological approach to the changes in China's economic activities in Southeast Asia, Suehiro Akira analyzes China's increasing involvement in ASEAN nations. By giving an overview of CAEXPO (the China-ASEAN Expo), he shows some of the ways that China has been taking active political and economic leadership in Southeast Asia.

Next Marukawa Tomoo analyses the emerging industrial agglomeration of "guerrilla" mobile phones manufacturers in Shenzhen, China, in the context of the global mobile phone industry. These small, unstable, and often illegal businesses accounted for 12 per cent of global phone production in 2010. Marukawa unravels how the intricate division of labor among small manufacturers and merchants has facilitated the entry of new makers who lack technical expertise and financial capital, catering to the low income populations in the developing world. Lastly, Ito Asei examines the increasing industrial relocation in China. In particular, he focuses on the increasing trend of industrial relocation from coastal China to inland China, as well as to the latecomer economies of Vietnam, Myanmar, Cambodia, and African countries. Ito assesses the implications of relocation on the global economic equilibrium and argues that domestic spatial relocation and the expansion of China's global market shares are not contradictory to the development of industrial clusters in coastal China. Instead, he calls our attention to differences in the kinds of industries that are being developed or relocated, such as whether they are labour-intensive or export-oriented, which can have significance for China's status as the "workshop of the world."

In the next section, we introduce Fujitani Takeshi, Associate Professor, who recently joined the Institute of Social Science. He shares with us the philosophy and goals behind his research on topics such as the role of public law in fiscal crises. Finally, we present Questions and Answers with Sébastien Lechevalier, Associate Professor at École des Hautes Études en Sciences Sociales. Professor Lechevalier came to ISS to develop his research project on evolving welfare systems and deindustrialization in Japan and South Korea.

Lastly, we feature recent lectures by the ISS Contemporary Japan Group, newly published books by ISS staff, and "Focus on ISS" where we share updates on the ISS's Corporate Governance Project.

Managing Editor, Nana O. Gagné

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Tracking China's Industrial Reorganization —The Work of the Economy Subgroup

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During the first phase (2007-12) of the Contemporary China Research Base (CCRB), I acted as the director and led the Economy Subgroup and the Rural Issues Subgroup. The Economy Subgroup grew out of the East Asian Economic History Research Group which was established at ISS in 2004. Two years earlier, Hu Jintao had taken office as general secretary of the Chinese Communist Party. Under his leadership, China's economic policies shifted from neoclassical deregulation toward a more Keynesian emphasis on income redistribution and economic restructuring. Members of the Economy Subgroup spent five years examining this policy shift and the execution of industrial policy under Hu's administration.

My 2008 book, *Gendai chūgoku no denryoku sangyō: fusoku no keizai to sangyō soshiki* (China's electric power industry: The economics of shortage and industrial organization) is one achievement of this research effort. Another product of the Economy Subgroup is *Chūgoku semento sangyō no hatten: sangyō soshiki to kōzō henka* (The expansion of China's cement industry: Industrial organization

and structural change). In 2010, the Japanese version of this book, that I edited with Zhu Yingui and Jun Kajima was published. A year later, Chinese Social Sciences Press published a Chinese translation of this book. Lastly, an earlier paper I wrote on China's chemical industry, "20 seiki no chūgoku kagaku kōgyō: Yongli Kagaku, Tianyuan Denka to sono jidai" (China's chemical industry in the 20th century: A case study of Yongli Chemical and Tianyuan Electrochemical), was published in the *ISS Research Series* in 2005 and can be found at <http://web.iss.u-tokyo.ac.jp/kyoten/research/books/tajima-200503.html>.

All of the studies mentioned above focus on how the industrial organization of China's heavy industries became less centralized, both geographically and in terms of state control. We looked at how regional small and medium enterprises that were more exposed to market forces have grown to reshape an industrial structure that was dominated by central government-led industrial giants in the 1950s. We also considered the historical antecedents of industrial restructuring in China. For example, electric power plants and cement factories that had been launched in the 1920s during the Republic of China era formed part of the initial conditions of the People's Republic of China.

During the 1960s and 1970s, China's Cold War standoff with the United States and the Soviet Union led it to focus on domestic and rural economic development and China's economic system became more decentralized. This secession from a Soviet-style economy laid the groundwork for the dramatic expansion of industry in rural areas during the economic transition period that began in the 1980s. In other words, China's regional heavy industries are definitely not the product of Soviet-style central planning. Moreover, the decentralization of heavy industries led to the highly dispersed industrial organization that we see in China today.

As the largest exporter of consumer electronics and textiles, China is widely recognized as the “workshop of the world,” but export figures capture only part of the nation’s economic activity. For example, although China’s GDP has only recently surpassed the GDP of Japan, China’s annual electricity output of four trillion kWh is second only to the United States. In contrast, Japan’s electricity production, which fell after the Fukushima nuclear disaster, has plateaued at roughly one trillion kWh. The four-fold gap between China and Japan’s electricity output underscores the differences in the vitality of their economies.

China also dominates the world’s production of cement and crude steel, prototypical smokestack industries. In 2011, China produced 2085 million tons of cement, 50 percent of total world production, and 684 million tons of crude steel or 40 percent of total world production (National Bureau of Statistics of China). Furthermore, in sharp contrast with the United States and Japan, cement and crude steel output is still rising in China. In addition to being the largest producer of consumer goods, China is a world leader in heavy industries. It is also no exaggeration to say that China leads the world in the production of greenhouse gases that cause global warming.

Facing the consequences of its industrial development, China’s leaders announced plans to “shift to a new path of economic development” in the Ninth Five-Year Plan (1996-2000). Their objective was to move away from the investment and export-led growth model. Investment-led economic development had brought rapid industrialization to rural areas. Unfortunately, due in part to their relatively small size, regional industrial plants were plagued by inefficient energy use and pollution emitted by steel factories, power plants, and cement factories. The government made plans to replace a number of these smaller plants with larger, less polluting, and more energy efficient ones, but it is hard to argue that these plans succeeded.

The Contemporary China Research Base is now entering its second phase. While continuing to examine structural adjustments in heavy industry, the research agenda of the Economy Subgroup

expanded to include the machine tools industry, which in effect has supported heavy industry and other manufacturing sectors. Once again the Economy Subgroup will look at the history of the sector’s development going as far back as the 1920s. Our objective is to understand the technological base underpinning China’s remarkable and unique industrial development.

Returning to agriculture, the CCRB’s Rural Issues Subgroup is comprised of the same scholars who had joined the Japan-China international exchange committee that formed at the 2005 meeting of the Agricultural Economics Society of Japan (AESJ). In addition to planning joint symposia in Japan and China, the Rural Issues Subgroup has also undertaken field research in China to learn more about the structural adjustments that are confronting agriculture in China.

One of the highlights of international academic exchange during the CCRB’s early years was the Agricultural Economics Society of Japan conference held at Tsukuba University in March 2009. The Japan-Korea international exchange committee organized by the AESJ participated in the conference. Symposium participants discussed the “Japanization” of farming—simultaneous trends toward agricultural protectionism and agricultural decline—in East Asia and whether China might also be susceptible to these trends.

In 2010, regular meetings of the Japan-China Agricultural Economics Association were suspended and in 2012 most of the activities of the CCRB’s Rural Issues Subgroup were taken on by the Economy Subgroup. However, the Rural Issues Subgroup continues to meet regularly to prepare their research findings for publication in summer 2013.

In October 2012, the Japan Beans and Peas Foundations commissioned a study on supply and demand for legumes in China and their external trade. We have begun survey research on the recent history, current state, and outlook for the production, distribution, export, processing, and consumption of legumes in China, especially adzuki beans. The target date for presenting our findings is March 2014. Field work is also being conducted, largely by young researchers.

In closing, in the second phase of the CCRB, the Economy Subgroup will continue to examine China's economic growth in its historical context and in cross-national comparison with a focus on heavy industry and agriculture.

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China's Foreign Aid Research Group —Phase 1 Activity Report

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The Organization and Mission of the Chinese Foreign aid Research Group

Although the primary mission of the Contemporary China Research Base (CCRB) at the University of Tokyo is examining China's economy, university faculty members who specialize in Chinese politics and diplomatic history also collaborate in CCRB research projects. Mindful of our budget constraints, we searched for a topic that involved politics, diplomacy, and economics and had academic significance. Looking at China's economic advances in nations around the world, we recognized that China's foreign aid met our criteria. Moreover, as most of what had been written about the topic were negative journalistic accounts, there was clearly a need for empirical research.

The original members of the Chinese foreign aid group (and their departments and areas of specialization) include myself (Department of Interdisciplinary Cultural Studies, Asian political and

diplomatic history), Akio Takahara (Graduate School of Law and Politics, Chinese politics), Mitsugi Endo (Department of Interdisciplinary Cultural Studies, international relations in Africa). Yasuhiro Matsuda (Institute for Advanced Studies on Asia, Asian political and diplomatic history) joined shortly thereafter.

Our group decided to reassess what some detractors call "China's global expansion" by visiting nations in Africa, Latin America, and Southeast Asia to learn what people think of China's growing role in their economies. Chinese "global expansion" is generally described in critical or even negative terms. At the same time too few accounts have considered how the local societies in Africa and other areas view their interactions with China. Thus our group decided to go to places China scholars rarely venture—such as Africa, Latin America, and Pacific island nations.

Other distinctive aspects of our group are how much we collaborate with area studies scholars specializing in developing nations and our ties with other research organizations and people in the public and private sectors. We have welcomed the cooperation of Katsumi Hirano, an Africa specialist at the Institute of Developing Economies, and Takeshi Kishikawa, a Latin American specialist at Sophia University. We also are working with Japan International Cooperation Agency (JICA) officials such as Naohiro Kitano, who has researched China's foreign aid, as well as Ministry of Foreign Affairs officials and members of other organizations that share our research interests. In addition, we have held regular meetings with people in the private sector at our Komaba and Hongo campuses.

Our research group provides a valuable platform for building a network between private firms, academia, and government agencies. We have worked with Professor Yen Chen-shen of the National University of Taiwan, known for his research on China and Taiwan's relationships

with African nations, and Beijing University's Anshan Li. We have also held a round-table discussion with Deborah Brautigam, professor at American University, who is the author of *The Dragon's Gift* (2009). In regards to the actual administration of foreign aid, we have held symposia and conferences with researchers in that field and a Taiwanese government official who was once in charge of Taiwan's aid programs in Pacific island nations.

Activities and Insights of the Chinese Foreign Aid Research Group

In March 2012, our research group held a workshop to review what we had accomplished in the first phase of our project. In this workshop, we reported China's overall international relations as well as China's foreign aid. In this section I describe our group's activities and some of what we have learned as a result.

(1) China's foreign aid—understanding its structure and implementation

While our joint research projects were underway, China itself was adjusting its systems for providing foreign aid. Also during this time, donor nation groups were questioning what would happen once China and other newly emergent nations joined their ranks. They raised the concern that China might change the existing guidelines followed by donor nation groups working through the United Nations or the OECD's Development Assistance Committee.

In our visits to various African nations, we found that the embassies of western nations and Japan would frequently host donor nation meetings, and such meetings often made efforts to include Chinese embassy staff (there were also some cases where these efforts proved fruitless). For its part, China considered the pros and cons of following the western nations' guidelines and then announced that a main principle of its aid would be "South-South assistance." China issued a white paper on foreign aid that reflected developed nations' standards and indicated their organizational emphasis on economic and commercial affairs.

Our group gained an understanding of the

process by which these principles were adopted through interviewing government officials and speaking with people who had participated in DAC-China talks. We were also able to exchange ideas with Chinese scholars interested in China's external aid, learning their views of different approaches to providing aid including potential pitfalls. One of the topics discussed was the lack of a clear dividing line between government aid and private sector activities. Another issue was the many types of agents involved in aid projects.

(2) Southern Africa's international relations and China

Professor Endo, a specialist in the international relations of African states, participated in our research group and we were fortunate to have several opportunities to visit Southern Africa. In addition to South Africa, we also visited Zambia, Malawi, Swaziland, and Tanzania, among other nations. While there are several significant elements in China's diplomatic efforts in Africa such as military cooperation, natural resources, opposing diplomatic recognition of Taiwan, as well as long-standing ties between China and socialist regimes, our group found the following issues as the most important.

First, the changing relationships between China and various African nations are usually framed as "China expanding into Africa," with the implication that the African states are passive recipients of Chinese aid and investment. However, we discovered that in Africa the growing presence of China is seen as the outcome of African initiatives as well as China's ambitions. It appears that African states strategically chose to engage more with China as part of their efforts to achieve various foreign policy goals vis-à-vis western nations.

For example, Malawi's decision to cut diplomatic ties with Taiwan in order to establish a relationship with China should not be simply attributed to the Malawi government's hopes of receiving more aid from China. Money played a role, but Malawi also felt threatened by its neighbors' increasingly close ties with China. Malawi's fear that continuing to recognize Taiwan might result in Malawi becoming isolated from other Southern African nations was another factor in its decision.

The second factor is the role of China's government. Many observers argue that, despite that China's "advance into Africa" involves businesses as well as government agencies, China's government and Communist Party are making all of the key decisions. However, we found exceptions to this rule. For example, when we interviewed Chinese immigrants in Zambia working in agriculture, they reported no government involvement in their decision to move to Zambia. We also found that local communities had developed organizations and identified people to serve as bridges between themselves and Chinese expatriates. These insights and many others are among the first findings to result from field surveys in Africa.

(3) China-Taiwan relations and China's presence in Pacific islands

Recently, Pacific islands have been at the center of an international dispute with military security implications. The orbits of satellites launched from East Asia pass over these islands and their potential use as satellite monitoring sites makes the islands more strategically valuable. The islands are also attracting attention due to their proximity to important sea lanes. Another complication in the region is the long-running contest between China and Taiwan over diplomatic recognition. It is said that China's "expansion" into the region has been remarkable.

There were also reports from East Timor stating that China has not only constructed a presidential palace and a building to house East Timor's Ministry of Foreign Affairs, but also sold two gunboats to the East Timorese navy. The reports were accurate regarding the presidential palace and the ministry building, but the ships China delivered were only patrol boats. And the fact that China has built several government buildings does not mean that East Timor's former occupiers, Portugal and Indonesia, or the regional power Australia have lost influence in the new nation.

China is said to be keeping a low profile in regards to resources in the Timor Sea. The Chinese community in East Timor's interior asked for the establishment of a Confucius Institute at the Chinese embassy but was reportedly rebuffed. Although the Chinese embassy is staffed by many Portuguese and Spanish speaking diplomats, the sale of the patrol boats mentioned earlier were rumored to have been brokered by a firm closely affiliated with the People's Liberation Army instead of embassy officials. We felt this exclusion of embassy staff from a newsworthy bilateral deal was itself notable, and perhaps evidence that "China's foreign expansion" is not following a highly coordinated "master plan" to extend China's power.

(4) African expatriate communities in China

China's opening up to the world or China's globalization also indicates how globalization is not a one-way street and communities of expatriates are growing in China, including people from countries in Africa and the Middle East whose citizens had rarely resided in China in the past.

Thus our research group visited cities such as Yiwu and Guangzhou and made some preliminary observations of the trading activities of African communities there. Tensions between Africans and local Chinese were noticeable in a variety of contexts. We presented our observations at a symposium in March 2012, drawing parallels between current communal conflicts and the 1960s when African students in China mobilized to protest how they were treated. We also discussed research on other aspects of China's interactions with Latin America, the Middle East and Southeast Asia.

2012 marked the beginning of the second phase of the Chinese foreign aid research project. In this new phase, we plan to conduct research in similar ways to the first, using our limited budget efficiently as we delve deeper into the issues we explored in the first phase of our work.

Diversity in China and Research on China

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As noted in the introduction to this special issue on China, in 2007 the Institute of Social Science (ISS) joined the network of Contemporary Chinese Area Studies (CCAS) created under the aegis of the National Institute for the Humanities (NIHU). In 2012, the first five-year phase of this collaborative effort to further area studies ended and the second phase began. The NIHU began promoting area studies in 2006 by supporting research on Islamic regions. In 2010, the NIHU launched programs supporting studies of twenty-first century India. The CCAS network was established between the two, making it the “middle child” of the NIHU’s area studies programs.

The NIHU’s area studies programs all feature research centers at several research institutions and, while each center focuses on a different research topic, scholars work collaboratively across institutional boundaries. ISS, Waseda University, Keio University, Kyoto University, the Research Institute for Humanity and Nature, and the Toyo Bunko participated in phase one of the

NIHU’s CCAS program. In this phase, ISS’s research center was tasked with examining China’s economy and organized its work around the theme of “economic growth and stability in China.” The Research Institute for Humanity and Nature’s research center examined “Chinese social development and environmental preservation.” In this way, according to the CCAS’s concept, each center would contribute its own expertise as part of a network that gave researchers access to a variety of viewpoints on the complex issues involved in area studies.

In addition to this network of institutions, one or two researchers from the NIHU were assigned to each research center. The NIHU researchers played a dual role by acting as project administrators as well as forming the hub of the CCAS network. NIHU researchers were assigned to centers based on their areas of expertise, but it is worth noting that their primary institutional affiliation continued to be with the NIHU rather than their host institutions. As a result, while the NIHU researchers carried out their project duties at each research center, they retained their professional identity as NIHU staff members and maintained close ties with their NIHU colleagues at other institutions. One could argue that the horizontal ties between NIHU researchers formed one of the most significant parts of the network that the NIHU had set out to create among the CCAS institutions’ area studies programs.

I was a member of NIHU during its first phase, and over the past five years I have participated in ISS’s research center to strengthen area studies and China studies in particular. This experience has shaped my views of the state of China studies in Japan and methods of conducting collaborative research. Especially remarkable is the depth and range of the research on China taking place in Japan. The challenges posed by the sheer size and diversity of China are no secret, and I have been struck time and again by both the range of work being done and the field’s degree of specialization.

For example, when ISS's research center was tasked with studying China's economy, six separate subgroups were formed to examine China's economic structural adjustments and policies (e.g., case studies on industries), economic law (e.g., property rights, anti-trust law), agriculture and rural problems, trade (e.g., Asian free trade agreements), industrial agglomerations (Wenzhou, Guangdong), and external economic aid (Southeast Asia, Africa). The joint research conducted by these subgroups provided indispensable insights into multiple aspects of the Chinese economy. Moreover, at the risk of seeming immodest, the importance of each subgroup's topic was great enough to stand alone as a joint research project. The other research centers studying China's politics, foreign relations, environment, history and so forth used a similar division of labor. Given that the NIHU's contemporary China research project itself was complicated, only a complex organization of researchers could have carried out its objectives. In addition, more researchers participated in the CCAS project than in NIHU's Islamic and India area studies programs.

The diversity of the China studies field undoubtedly reflects the diversity of the nation. Increasing specialization among people studying China is therefore not surprising. However, the mission of area studies is to present a comprehensive view of a particular people or region, and specialization can detract from achieving a holistic understanding of our subject. To put it more concretely, the fragmentation of contemporary China studies has progressed to the point that it is difficult for scholars at different centers to agree on common research goals and strategies. This coordination problem arises from the varying methods used in different sub-specialties. In discussions with my colleagues at other centers, I was always struck by how little our research methods, organization, and ways of reporting our findings had in common despite our shared interest in China.

When discussing the lack of unity in the contemporary China studies field, I have in mind the contrasting case of Islamic area studies. As I mentioned earlier, as part of its program to promote area studies, the NIHU sent some of its own researchers to work collaboratively at each partic-

ipating institution. The opportunity to work with NIHU staff as colleagues was part of the India and Islamic area studies programs as well as the China program. Looking at the interactions between the researchers at the various centers and NIHU researchers, I was left with the impression that the Islamic area studies centers were particularly closely connected and shared a sense of "solidarity" regarding the collaborative research enterprise, which, frankly speaking, was not really the case among the six China centers. As the NIHU India area studies project was launched in 2010, it is too early to judge how successful its centers' integration efforts will be.

Why did these differences arise? One factor is scale—China studies is a larger field than Islamic area studies in Japan, and this makes it difficult to compare the size, organization and management styles of their joint research programs. The field of Islamic area studies naturally reflects the diversity of the Islamic world, and the various NIHU-supported centers selected a wide range of research themes. Nevertheless, the extent of their fragmentation and specialization is less than that of the CCAS. In addition, the number of Islamic area studies scholars in Japan is relatively small.

As a result, researchers of Islamic area studies seemed able to communicate and reach agreement with relative ease and thus created organizations of a suitable size to design and carry out joint research plans. Another possible explanation is that there are many other programs to promote collaborative research on China in addition to the NIHU's, but there are fewer programs supporting joint research in Islamic area studies—at least in Japan. Therefore they were able to concentrate on the NIHU's area studies program more than CCAS.

Of course, the issue here is not which method of joint research is the best, as the practices each field adopts are determined by its environment. The diversity of China area studies in Japan not only reflects the field's long history and considerable accomplishments—it is a valuable asset in and of itself, and shows the maturity of the field. Another reason for the field's varied nature is the Japanese public's various strong interests in China.

What I have tried to emphasize in this essay is the difficulty of organizing China area studies in Japan into a united joint research program and producing coherent research results. This may not be surprising for most readers. However, the field's lack of unity may limit progress toward a key goal of collaborative research in contemporary China area studies. This raises an important issue that must be addressed: Can a fragmented

field lead us to a comprehensive understanding of China? Ideally, each research center and the academic departments affiliated with them would freely share the highlights of their research, and these findings would form a new composite view of China that can be shared with society. The construction of this mosaic can be continued in the second phase of the contemporary China studies program.

The China-ASEAN Expo and China's New Role in Southeast Asia

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New Stage of China-ASEAN Economic Cooperation

In 1995, total trade value (imports plus exports) between ASEAN countries and China amounted to US\$19.9 billion, less than one-sixth of ASEAN-Japan trade that year (US\$132.5 billion). However, after the completion of the China-ASEAN Free Trade Agreement (CAFTA), trade between China and ASEAN states increased spectacularly, especially mutual trade of IT goods and exports of natural resources from ASEAN to China. A turning point was reached when ASEAN-China trade surpassed ASEAN-Japan trade in 2008. This event was a watershed in Asian economic relations, indicating that the center of economic gravity in Asia had shifted from Japan to China. In 2011, the value of ASEAN-China trade reached US\$362.9 billion, 42 percent higher than ASEAN-Japan trade (US\$255.4 billion).

Enhanced ties between China and ASEAN are evident not only in their burgeoning merchandise and raw materials trade, but also in China's

increasing involvements in ASEAN nations. These involvements take many forms: economic aid from China's government to ASEAN countries, public and private sector economic cooperation (経済合作) supported by China's policies (e.g., construction contracts and dispatching teams of Chinese workers), direct investment by Chinese firms, and expanding exchange programs for university students. These activities have been supported by the diplomatic policies of the Beijing government to ensure good relations with neighboring countries, including ASEAN members (Amako and Mifune 2010).

In addition to bilateral relations, four major institutional frameworks support multilateral China-ASEAN economic cooperation. First, an ASEAN-China summit has been held annually since 1997. Second, Greater Mekong Subregion (GMS) development projects were launched in 1992. Six countries—Cambodia, Laos, Myanmar, Vietnam, Thailand and China—have participated in GMS projects under the auspices of the Asian Development Bank (Ishida and Kudo 2007; Suehiro et al. 2009). The first GMS summit took place in 2002. Third, the China Kunming Import and Export Commodities Fair (中国昆明進出口商品交易会) started in 1993. The Kunming fairs are sponsored by the Beijing government, seven local governments in western China, and ASEAN members. Finally, the annual China-ASEAN Expo (CAEXPO, 中国東盟博覽会) began in 2004. In this paper, I focus on CAEXPOs because they exemplify the progress and the peculiarities of current economic relations between China and ASEAN countries.

The History of CAEXPO—Expanding Political as well as Economic Ties

The first CAEXPO was held in Nanning (南寧市) in November 2004. This fair was a direct result of a proposal by Wen Jiabao (温家宝), the Premier of the State Council, at the seventh ASEAN-China Summit in October 2003, just one year following the drafting of a provisional framework for

CAFTA (November 2002). In February 2004, an organizing committee invited ten ASEAN countries, Japan and South Korea to participate. CAEXPO includes the China-ASEAN Business and Investment Summit (CABIS, 中国东盟商务与投资峰会). Participants in both CAEXPO and CABIS include China's Ministry of Commerce, the Guangxi Zhuang Autonomous Region government (GZAR, 广西壮族自治区政府), ten ASEAN states and the ASEAN Secretariat in Jakarta.

The fair itself consisted of national pavilions, exhibits of exportable commodities and advanced technology, forums for business and investment, and cultural exchanges in the fields of fine arts, music and film (China-ASEAN Yearbook 2004). Beginning with the second CAEXPO, tourism is also featured in "Cities of Charm" (魅力之城) exhibits in which each country highlights a particular city to attract more visitors (China-ASEAN Yearbook 2006). The table below shows the growth of exhibitors, booths, and investment contracts signed during the nine CAEXPOs held from 2004 to 2012. The number of booths has steadily increased from 2,506 in 2004 to 4,600 in 2012, while the estimated total value of investment contracts also grew from US\$10.8 billion to US\$20.9 billion.

Compared to the Kunming fairs mentioned above, CAEXPO is unique in two aspects of its political attitudes and strategic economic partners. Firstly, unlike the more business oriented

Kunming fairs, CAEXPO's aims are directed toward both political and economic cooperation. CAEXPO organizers are very active in inviting ASEAN heads of state, which will be discussed later in more detail. Secondly, CAEXPO places first priority on ASEAN states, rather than on local governments, as strategic partners, and targets Japan, South Korea, Australia, Canada and the United States as important supporters (a "look East" approach). The Kunming fairs, on the other hand, are centered on GMS members and are intended to strengthen China's economic ties with India and the Middle East ("look West"). For example, the sixth Forum on China-South Asia Business Cooperation was held during the 2009 Kunming Fair (*China Daily*, 6 June 2011). In the same year, the sixth CAEXPO featured ASEAN-based events such as the first "Summit Forum on China-ASEAN Financial Cooperation" (China-ASEAN Yearbook 2010).

The Purposes of CAEXPO: Summit and Forums

Carefully examining how CAEXPOs are organized and run, we find extraordinary efforts by China's central and local governments, especially GZAR. The GZAR government usually sends official missions to all ASEAN member states three to six months before the start of each CAEXPO. These missions are led by the chairman and vice chairman of the GZAR government or by the secretary of the Communist Party of GZAR (the highest ranking official in the region) and entail

Summary Table of Achievements in the China-ASEAN EXPO (CAEXPO), 2004-2012.

CAEXPO	Date of exhibition	Nos. of enterprises	Nos. of Booth				Investments (US\$ Million)	
			Total	ASEAN10	others*	China	International**	Domestic
1st CAEXPO	Nov. 3-6, 2004	1,505	2,506	626	131	1,749	4,968	5,864
2nd CAEXPO	Oct.19-22, 2005	2,000	3,300	696	86	2,518	5,290	6,124
3rd CAEXPO	Oct.31- Nov.3, 2006	2,000	3,663	837	163	2,663	5,850	6,945
4th CAEXPO	Oct.28-31, 2007	1,908	3,400	1,124		2,276	6,150	7,651
5th CAEXPO	Oct.22-25, 2008	2,100	3,300	1,154	70	2,076	6,364	8,807
6th CAEXPO	Oct.20-24, 2009	2,450	4,000	1,168	106	2,726	6,440	9,054
7th CAEXPO	Oct.19-23, 2010	2,200	4,600	1,178	43	3,379	6,690	9,962
8th CAEXPO	Oct.21-26, 2011	2,300	4,700	n.a			7,420	11,316
9th CAEXPO	Sept. 21-25, 2012	2,280	4,600	1,300		3,300	8,204	12,712

Notes: 1) Others include non-ASEAN foreign countries such as Korea and Australia. 2) "International" means investment contracts signed between China's investors (including foreign firms which advance into China) and investors outside China including ASEAN countries during the fairs. "Domestic" means investment contracts signed among Chinese investors. 3) Investment amount of "domestic" are figures converted from RMB Yuan into US dollars by using foreign exchange rate on average in each year..

Sources: China-ASEAN Yearbook (in Chinese); official website of CAEXPO (<http://www.caexpo.org/>)

meeting with government leaders, high-ranking officials, business leaders and representatives of overseas Chinese organizations such as the Chinese Chamber of Commerce. GZAR officials also organize special seminars for potential investors concerning projects in mainland China. To illustrate this process, I will describe the groundwork for the third CAEXPO which was held in October 2006.

From March 28 to April 12, 2006, a government mission led by Lu Bing (陸兵), the chairman of GZAR, visited the Philippines, Brunei, Singapore and Myanmar, meeting with all of these nations' heads of state. From April 13 to April 25, another government mission led by Cao Bochun (曹伯純), the secretary of the Communist Party of GZAR, and a commercial mission led by Li Jinzao (李金早), vice chairman of GZAR, met with the leaders of Vietnam, Malaysia, Laos, Cambodia and Hong Kong. Finally, in September 2006, another GZAR government mission visited four cities in Thailand – Bangkok, Chiang Mai, Khon Kaen and Songkla – to encourage Thai enterprises and government agencies to participate in CAEXPO (China-ASEAN Yearbook 2007).

Owing to these elaborate efforts, and the backing of Premier Wen Jiabao, the leaders of each nation visited by the GZAR missions attended the opening ceremonies of the third CAEXPO. They included Gloria Macapagal-Arroyo, president of the Philippines; Sultan Haji Hassanal Bolkiah of Brunei; Hun Sen, prime minister (PM afterwards) of Cambodia; Susilo Bambang Yudhoyono, president of Indonesia; Bouasone Bouphavanh, PM of Laos; Abdullah Ahmad Badawi, PM of Malaysia; Lt. Gen Soe Win, the late PM of Myanmar; Lee Hsien Loong (李顯龍), PM of Singapore; Surayud Chulanont, PM of Thailand; Nguyen Tan Dung (阮晉勇), PM of Viet Nam; and Ong Keng Yong (王景榮), secretary general of ASEAN (*ibid*). In other words, China uses CAEXPO as a platform for a de facto ASEAN-China summit separate from the official summit annually held under ASEAN auspices.

Reflecting a decline in its influence in the region, Japan has hardly organized such state-level meetings except for the extra Japan-ASEAN Summit (Japan-ASEAN Commemorative Summit) held in

Tokyo, in December 2003.

Each CAEXPO features many forums for discussing urgent and long-term problems facing the region. According to the survey on CAEXPO Yearbooks there were nine forums in the fourth CAEXPO in 2007 (including the first forum on gender problems), sixteen forums in the fifth CAEXPO in 2008 (legal problems in free trade areas, standardization of telecommunications), and eleven forums in the sixth CAEXPO in 2009 (the first forum on financial cooperation). Forum participants include high-ranking government officials, key persons from the private sector, and academics. It is important to note that the majority of these forums are led by Chinese government or business leaders. For instance, the chair of the forum on China-ASEAN financial cooperation was from the People's Bank of China, which was also the sponsor of the forum.

Major issues discussed in these forums mostly overlap with those discussed in ASEAN ministerial meetings or in GMS' issue-specific committees such as a transportation committee. However, ASEAN and GMS meetings and committees take place under the aegis of ASEAN or the Asian Development Bank. Thus to better control the agenda, China's government has used CAEXPOs as a means to establish new forums for discussing multilateral issues.

CAEXPO for Whom? External Expansion and Inland Development

It is true that governments, private firms and individual investors belonging to ASEAN countries have obtained sizable benefits from CAEXPO. Nonetheless, we should not overlook the fact that the primary beneficiaries of CAEXPO are China's central government, the GZAR government, and local private firms. As shown in the summary table above, the majority of booths are from these Chinese groups, and their relative share is growing. Specifically ASEAN provided 1,154 booths, or 35% of all booths in the fifth CAEXPO in 2008. In absolute terms, the number of ASEAN booths has varied little since 2008, but their relative share has fallen below 30%. In contrast, Chinese groups have steadily increased the number and relative share of their booths, reach-

ing 72% in 2012. Similar trends are also apparent in the Kunming fairs where ASEAN accounted for 184 out of 2,300 booths, or merely 8% of the total in 2007 (Suehiro et al. 2009).

Another indicator is the number of international and domestic investment contracts entered into during the fairs. “International” refers to contracts between Chinese investors (including foreign firms with a stake in China) and ASEAN or non-ASEAN investors, while “domestic” contracts are exclusively between Chinese investors and Chinese host enterprises. Between 2004 and 2012, the estimated value of international contracts increased 65 percent, from US\$4,968 million to US\$8,204 million. On the other hand, domestic deals more than doubled in value, rising from US\$5,864 million to US\$12,712 million.

These figures suggest that CAEXPOs have served as important venues for local governments in western China to attract not only foreign investors but also a large number of Chinese investors, in particular those from wealthy coastal areas. Thus the Chinese government’s promotion of CAEXPO has coincided with its “China’s Western Development” (西部大開発) policies dating back to 2000 that are intended to accelerate the narrowing of the economic gaps between coastal and inland areas including Yunnan and Guangxi (Suehiro et al. 2011).

In summary, CAEXPO has two major missions—establishing China’s political and economic leadership in Southeast Asia through direct diplomacy and rapidly increasing China-ASEAN trade and, on the other hand, connecting domestic and foreign investors with GZAR agencies and businesses to develop inland China. Consequently, CAEXPO plays a substantial role by serving as an important milieu for China to reorganize regional conditions and relationships in favor of her national interests (Shiraishi 2012).

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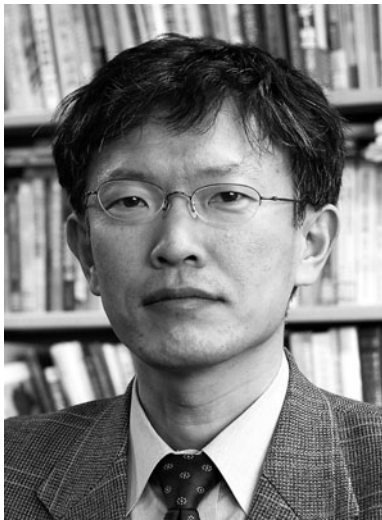
Opening ceremony of the Ninth CAEXPO in September 2012. Retrieved from <http://www.caexpo.org/>



Nanning City: "China-ASEAN International Business Area (中国东盟国际商务区)" developed by private developers (August 2012, photo by the author)

“Guerrilla” Mobile Phones in China

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The Emergence of the “Guerrillas”

The global mobile phone industry is dominated by large multinational enterprises led by Nokia, which sold 417 million handsets and accounted for 26 percent of the global market in 2011, followed by Samsung and Motorola. However, there is an exception to this rule. In Shenzhen, China there are around 1,500 small mobile phone makers which often have ten employees or fewer. I call them ‘guerrilla’ mobile phone manufacturers because they are small, unstable, and breach Chinese law and regulations. Though each of the guerrillas may be very small, their combined production levels are staggering. iSuppli, a global market research firm, estimates that Chinese guerrillas produced 172 million mobile phones in 2010 (Kong 2010), over five times the number of phones sold in Japan and 12 percent of global production that year.

Mobile phones emit and receive high-frequency radio waves, have data processing capacities equivalent to a small personal computer, and

sophisticated software, and all of these functions must be packed into a small case. Only large enterprises employing engineers of various specialties can tackle the development of such a complex product. The acquisition of mobile phone technology was one of China’s “national research projects,” led by the former Ministry of Electronics Industry in the 1990s, and involved dozens of engineers at a government-affiliated institute. After six years of intense research and development, the first domestically designed mobile handset was produced in 1998 (Shiu and Imai 2010).

The Chinese government moved quickly to foster domestic manufacturers by transferring mobile phone technology to state-owned firms. The government introduced a licensing system in 1999 that limited mobile phone production to domestic firms that had research and development capacities in electronics and some foreign-invested firms already making and selling mobile phones in China. Korean and Taiwanese manufacturers, which had high hopes of expanding into the Chinese mobile phone market, were excluded.

The licensing system seemed to work very well during the first few years. Chinese-brand mobile phones, which were nonexistent before 1998, rapidly gained popularity, accounting for 55 percent of the domestic market in 2003. In that year, Bird, a domestic manufacturer, ranked first in domestic sales volume, exceeding international giants such as Nokia and Motorola. The rapid growth of domestic manufacturers, however, was supported by the Korean and Taiwanese manufacturers that had been denied direct access to the Chinese market. To compete with international giants that developed dozens of models to attract various types of consumers, Chinese manufacturers often made up for their limited engineering capacity by outsourcing the design and manufacturing of handsets to Korean and Taiwanese firms. The tendency of Chinese manufacturers to rely on outsourcing led to the development of

independent design houses first in Korea and then in China in 2001.

The Division of Labor and the Making of an Agglomeration

A division of labor between brand manufacturers and independent design houses emerged in which the latter handle the whole development process, including hardware and software development and testing. After receiving a blueprint and list of components, the brand manufacturer procures the components according to the list and outsources production to EMSs (electronic manufacturing services). The brand manufacturer only needs to market the handsets developed by design houses and manufactured by EMSs. Some manufacturers were even reluctant to sell handsets themselves, so they simply outsourced the whole process to another firm and received royalties for the use of their brands in exchange.

The first guerrillas emerged from the firms that used the brands of licensed manufacturers to sell the handsets they manufactured. These manufacturers soon discovered that phones sold under their own brand names were competitive with those using the licensed manufacturers' brands, especially in the rural market. Hence, mobile phones made by unlicensed manufacturers started to appear in the rural market around 2004.

Another important factor that had led to the proliferation of guerrillas was the introduction of integrated circuits (ICs) made by Mediatek (MTK) of Taiwan. Being a latecomer to the business of ICs for mobile phones, MTK initially had a hard time finding customers. The global market was dominated by western IC vendors, and no international manufacturer would take the risk of using an untested IC made by a newcomer. Therefore, MTK targeted the Chinese market, where a lot of new manufacturers were emerging and, given the latter's weakness in development capacity, MTK sold them assembled printed circuit boards instead of ICs. All of the functions of mobile phones were built into the boards, so all the manufacturers had to do was to connect the board with a display and a keypad and fit them into a plastic case.

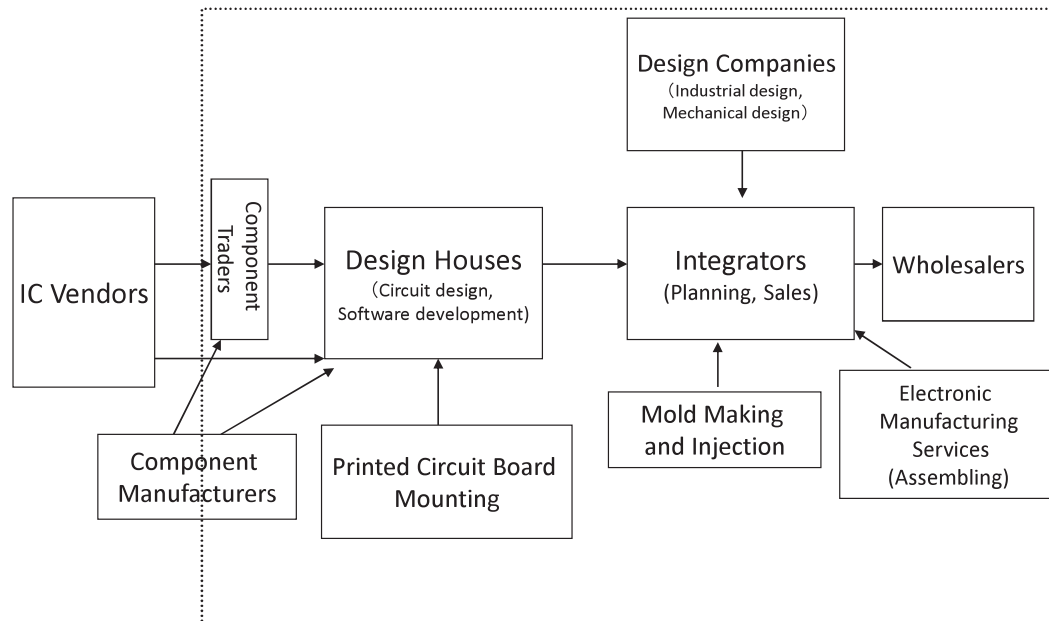
Although it would be hard to differentiate handsets using an MTK board from other handsets using the same board, the development of new mobile phones became very easy. Because of the cheapness of MTK ICs and the ease of developing new models using them, many Chinese manufacturers began using them. It was estimated that 55 percent of the mobile handsets manufactured in 2005 by domestic manufacturers used MTK ICs (Pday Research 2006). The side effect of their introduction, however, was the rampant entry of small manufacturers, including unlicensed guerrillas, because MTK boards made the development and manufacturing of mobile phones so easy that firms with little engineering capability could start making them.

Most of the guerrillas have their headquarters in Shenzhen, because all of the important inputs and services to make mobile phones and a huge market to sell them are available there. Given these conditions, the guerrillas and their suppliers of components and services have created an intricate division of labor in Shenzhen (Figure 1).

The upstart companies that are challenging the established mobile phone manufacturers are usually called "integrators" (*jichengshang*) in Shenzhen. They receive orders for mobile phones from wholesalers that have outlets in the huge Huaqiangbei Electronics Market in downtown Shenzhen and from buyers all around the world. After receiving orders, the integrators buy assembled printed circuit boards installed with software from "design houses" (*fangan gongsi*), hire "design companies" (*sheji gongsi*) to design the phone cases, and contract with injection mold companies to make the cases. The integrators then purchase other ancillary components such as liquid crystal display panels and keypads, and provide them together with printed circuit boards and phone cases to EMS firms, which assemble them into phones that the integrators sell.

It is noteworthy that the integrators outsource product and software development, a practice seldom followed by major mobile phone manufacturers. People can easily start an integrator business because all the tasks that require expertise in making mobile phones can be outsourced. Some sources claimed that an integrator needed to

Figure 1 The Division of Labor in the Guerrilla Mobile Phone Industry



Note: The arrows indicate the direction of the provision of components and services. The types of firms within the dotted line are usually located in Shenzhen.

invest only one million yuan (US\$160,000) to design a new model and start mass production. The whole process of designing, injection molding, and assembling a new phone model can take less than one month. Since starting an integrator firm has become so easy, many people who had been engaged in the retailing and wholesaling of mobile phones and other businesses have become integrators. It was estimated that there were 1,500 integrators in Shenzhen in 2010.

The Chinese government requires all new models of mobile phones made and sold in China to pass a certification process called “full-type approval” (FTA) that includes checks of phones’ radio emissions. However, most of the small integrators sidestep the FTA process. The FTA process costs roughly \$48,000 and takes a month to complete. These costs are trivial for large mobile phone manufacturers but not for the integrators in Shenzhen who operate on a very small scale.

The other types of suppliers in Figure 1 are primarily small enterprises. There are approximately 400 design houses developing printed circuit boards for mobile phones in China. The biggest design house in China is Wingtech, which is headquartered in Shanghai and has more than 4,000 employees. The smallest design house I visited had only eight employees. Operating a

design house requires expertise in hardware and software design, making the barrier to entry higher than in the case of integrators, yet many small design houses have been established in Shenzhen.

Many design companies, printed circuit board mounting companies, and electronic manufacturing services are small enterprises, but the exception is IC vendors. When the guerrillas emerged in 2005 they used only MTK ICs because other firms’ ICs were too difficult for the guerrillas to deal with. In 2006, Spreadtrum, a Chinese IC vendor headquartered in Shanghai, adopted MTK’s business model and started to sell ready-made printed circuit boards. Taiwan’s MStar and China’s Coolsand soon followed. ICs from these four vendors are used by the guerrillas and some larger Chinese mobile phone manufacturers, but not by the non-Chinese manufacturers.

Huaqiangbei: The Guerrilla’s Market for Making and Selling Mobile Phones

The Huaqiangbei Electronics Market is located in the western part of downtown Shenzhen. The Market consists of thirty-seven buildings that house many small outlets offering various electronic products, including mobile phones, computers and peripherals, electronic components, and tools. Outlets in seventeen out of the thirty-

seven buildings mainly sell mobile phones, especially those made by the guerrillas, and it is estimated that there are around 20,000 outlets in these buildings. Huaqiangbei is a place where buyers from all corners of China and developing countries procure cheap mobile phones. Many small integrators have placed their headquarters in Huaqiangbei in hopes of getting buyers to visit their offices and place orders.

In a building located in Huaqiangbei, one can see around 300 people engaged in refurbishing mobile phones in the middle of the marketplace. What they are making is a certain type of unlicensed handset, called “recycled handsets” (*fanbanji*). The worn-out plastic cases of second-hand handsets are replaced by new ones, and the printed circuit boards are replaced by those using MTK ICs. In the end, a shiny ‘new’ handset bearing the name of a famous brand such as Nokia is made, although one will recognize that it is not an authentic Nokia product after turning it on. As the photo shows, the guerrillas engaged in making recycled handsets only have very simple tools such as screwdrivers and elastic tape. The barrier to enter this kind of business seems to be very low.

Guerrillas’ Innovation

Many of the handsets made by the guerrillas, though not all of them, infringe upon other firms’

intellectual property rights. Some have logos that resemble famous brands, such as “Scny Eriossn” and “Nocia,” and some use famous cartoon characters without the permission of the copyright holders. The Chinese word for handsets made by the guerrillas, *shanzhai*, means ‘fake’. Though the guerrillas are generally seen as copycats at best, they have created some innovative handsets that offer functions that meet the needs of low income populations, the main target of the guerrilla industry. For example, the handsets sold in sub-Saharan Africa can be used as flashlights to make up for the poor lighting conditions and unreliable supply of electricity in those countries. Those sold to Muslims in South Asia and the Middle East have a ‘worship function’ that offers reminders of when to pray each day. Handsets sold in rural India have large speakers, catering to the desire of their holders to show off their mobile phones and taste in music. Handsets sold in India can have two SIM (subscriber identity module) cards inserted, so that their users can use two different telephone numbers at the same time. Because there are many mobile phone operators in India offering different charge plans, a user can take advantage of plans offered by two operators and economize on call charges. The handsets that can carry two SIM cards are not technically advanced, but they would never have been invented by established mobile phone manufacturers because that function cuts into the profits of mobile phone operators.



People engaged in making ‘recycled handsets’ in Huaqiangbei, Shenzhen, China

Perhaps the most innovative aspect of the guerrilla phone industry is the aforementioned division of labor which opened up the mobile phone industry, once famous for its very high entry barrier, to the masses. People with no technical expertise and limited amounts of money can become guerrilla integrators. The unfettered competition in this rapidly changing industry has led me to visit Shenzhen almost every year since 2006 to observe the latest developments. Given their limited R&D capacity and lack of strong brands, it is not surprising that most guerrillas fail, and yet the guerrilla industry as a whole has survived for more than six years. The industry has many features in common with other industrial agglomerations in China, such as an intricate division of labor, proliferation of new firms, and the nexus of market and manufacturing. The case of the guerrilla mobile phone industry shows how an industrial agglomeration emerges and grows in China.

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The End of the “Workshop of the World”? New Challenges for China and the Global Manufacturing Equilibrium

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Industrial Relocation from Coastal China: Issues and Perspectives

As labor costs have dramatically increased in China since the late 2000s, numerous Chinese scholars and foreign observers have begun to discuss industrial relocation from China. Some assert that rising wages will push labor-intensive industries to move from China to latecomer economies such as Vietnam, Myanmar, Cambodia, and African countries.¹ If global relocation of manufacturing industries continues, China's era of being the “workshop of the world” will come to an end.

Beginning in the 1980s in East Asia, as factor prices rose in Japan and the Asian newly industrialized economies, labor-intensive industries such as apparel and toys gradually moved to Southeast Asian nations and China. This pattern of industrial relocation is called the “flying geese” model, which posts that nations' manufacturing sectors

shift toward higher value-added goods as production of labor-intensive goods is moved to less developed, low wage locations. For decades, this model has provided an important perspective on the development of the East Asian economy.

There is, however, very little agreement about whether labor-intensive industries, which are now concentrated in coastal China, are moving to other regions or not. Lin (2011) insists on the possibility of industrial relocation from China to sub-Saharan Africa. In contrast, due in part to the significant benefits of the existing industrial agglomerations in Asia and China, Collier (2007) argues that there are many obstacles to shifting production to the least developed countries.

Another major perspective in recent literature is the “domestic” flying geese model which focuses on the large gap in economic development between China's coastal and inland regions. Ruan and Zhang (2010) use manufacturing output data from China's textile and apparel industries to empirically examine the applicability of the flying geese model to regions in China and find that domestic industries that started in the coastal regions began relocating to the interior in 2005.

These issues are important to debates on the stability and continuity of China's economic growth as well as to the Asian and global economies, particularly the developing economies. According to Wood and Mayer (2011), China's policy of opening up to world trade and its huge volume of global exports affected the export patterns of Southeast Asia and other developing economies. Some industries and industrial clusters in Latin America declined significantly due to competitive pressure from China. For the past decade, African and Latin American countries have typically imported consumer goods from China and exported natural resources and raw materials to China.

¹ China's manufacturing could falter if multinational firms relocate factories to latecomer economies or industrial growth in latecomer economies surpasses China.

In other words, in the 2000s, China's role as "workshop of the world" was an important component of a new global economic equilibrium. For China's dominance in labor-intensive manufacturing to end, a massive global relocation of factories would have to occur. In this article, I use trade and industry data from labor-intensive industries to clarify the current extent and future prospects of international and domestic industrial relocation from coastal China.

The Competitiveness of China

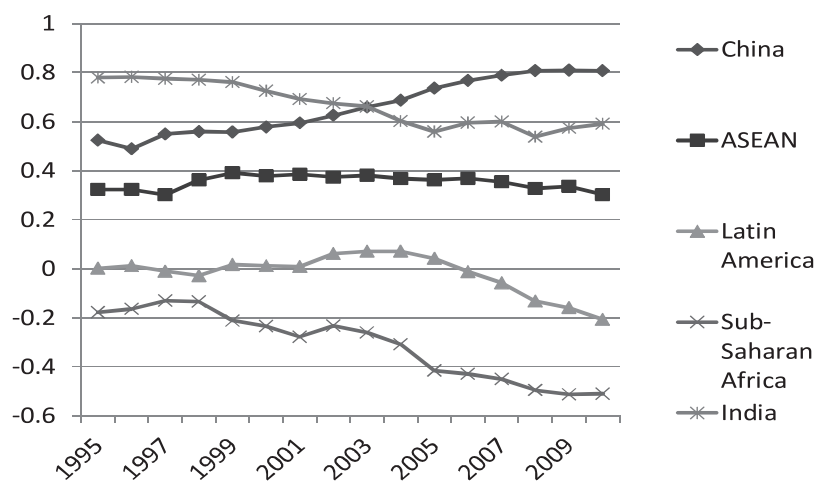
Figure 1 shows the export specialization indices of selected emerging economies in labor-intensive products from 1995 to 2010.² During this period, China gradually increased its export competitive-

ness to a 0.8 level on the export specialization index. In other words, China's ratio of exports to imports for labor-intensive products was about 9 to 1 from 2008 to 2010.

During the 2000s, none of the indices of other developing economies increased. Latin American and sub-Saharan African nations have been net importers in recent years and both regions import large volumes of products from China. On the other hand, Southeast Asian nations and India have been net exporters, but their respective indices also gradually decreased. Therefore, China's export dominance is obvious.

Table 1 provides global import shares of Chinese products in more detailed product categories.

Figure1. Export specialization index in selected countries



Source: UNCTAD database(<http://unctad.org/en/Pages/Statistics.aspx>).

Table1. China's global shares in labor-intensive product

Product type	1995	2000	2005	2006	2007	2008	2009	2010	2011
Leather products	3%	6%	13%	14%	12%	10%	11%	11%	12%
Manufactured wood products	4%	8%	13%	15%	16%	17%	17%	19%	20%
Paper and paper products	1%	2%	4%	5%	6%	6%	6%	7%	8%
Textile related products	10%	12%	21%	23%	23%	25%	27%	29%	29%
Lime, cement, fabrica, etc.	4%	7%	13%	15%	16%	16%	17%	18%	19%
Glassware	3%	6%	11%	12%	14%	15%	15%	17%	18%
Pottery	27%	39%	49%	52%	52%	53%	55%	59%	58%
Furniture and parts	7%	15%	27%	29%	29%	30%	31%	34%	32%
Travel goods, handbags, etc.	47%	54%	60%	60%	59%	59%	58%	60%	56%
Articles of apparel	22%	25%	35%	36%	38%	39%	41%	43%	42%
Footwear	33%	41%	46%	47%	46%	46%	47%	50%	48%
Baby carriages, toys, games, and sporting goods	40%	55%	61%	63%	66%	66%	66%	66%	64%

Source: UNCTAD database(<http://unctad.org/en/Pages/Statistics.aspx>).

² The index formula is $(Exports - Imports) / (Exports + Imports)$.

The product categories of labor-intensive goods are based on UNCTAD sources.

Until 2010, China's global shares were generally high and showed a continuous upward trend, but they declined from 2010 to 2011 in some product categories such as travel goods and footwear. Although China's global shares were much higher in 2011 than in 2000, its claim to being the "workshop of the world" may have begun to weaken in recent years.

Domestic Relocation

As a vast continental state, China differs from other East Asian economies such as South Korea and Taiwan because its industrial relocation can occur internally as well as internationally. As mentioned earlier, several economists have propounded the domestic industrial relocation model. Moreover, China's central and local governments have included several industrial relocation programs in their industrial policies since 2005.³

Figure 2 shows coastal areas' share of manufacturing output value in China from 2003 to 2010.⁴ In seven selected industries, 70–95% of production in 2004 and 2005 was from coastal areas. Some researchers highlight the fact that the degree of spatial concentration in manufacturing

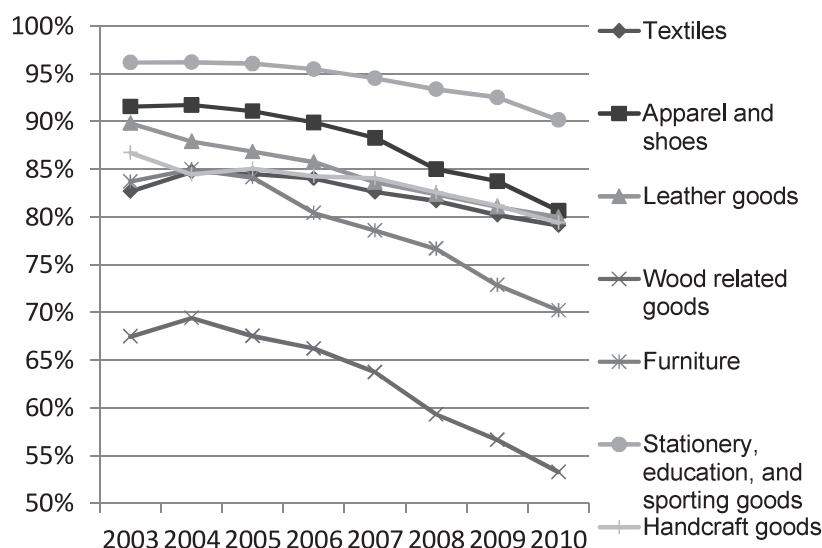
was highest during the mid-2000s, but due to China's coastal labor markets becoming tighter, the degree of concentration started to decline in the late 2000s.⁵

As Figure 2 shows, the coastal areas' share of output in all seven industries fell from 2005 to 2010, to varying degrees. For instance, coastal areas' output share decreased by approximately 15% in furniture and wood-related goods and by approximately 7% in the handcraft goods and stationery industries.

It is noteworthy that during the same period, as shown in Table 1, China's global market shares of these products were increasing. In other words, interestingly, domestic spatial relocation and global share expansion both occurred during the late 2000s. This may indicate that Chinese industries improved their competitive capabilities partly through the acceleration of domestic spatial relocation.

To assess the robustness of these results, we use China's provincial export data to calculate quarterly export shares of the coastal area in seven selected labor-intensive product categories, as shown in Figure 3. It must be noted that differ-

Figure 2. Fall in coastal China's shares of national output



Source: University of Michigan, China data centre industrial database .

³ In Chinese, it is called *chanye zhuan yi zheng ce* (产业转移政策).

⁴ The coastal area includes Beijing, Hebei, Tianjin, Shandong, Jiangsu, Shanghai, Zhejiang, Fujian, and Guangdong.

⁵ Recent debates on whether China has reached the "Lewis turning point" also relate to this topic.

ences among industries are significant. From the first quarter of 2008 to the final quarter of 2011, exports of bags and glassware from the coastal area have rapidly decreased, while no marked change occurred in exports of toys, shoes, and furniture.⁶

Roles and Forms of Industrial Clusters

One of the reasons for such sectorial differences in relocation is the varying benefits of industrial clusters.⁷ The agglomeration economy is a long-discussed topic in industrial economics. Proponents typically insist that the three major benefits of information sharing, labor market pooling, and input material sharing contribute to industrial clustering. In the case of China's toy industry, for example, 70% of toys are exported from Guangdong, a southern coastal province next to Hong Kong, because thousands of toy factories have been clustered in Dongguan (东莞), Chenghai (澄海), and other so-called toy towns since the 1980s.

It is important to note that, in China, these clusters not only strongly support the progress of spatial concentration, but also continue their primary roles in industrial relocation by building the requisite platform-type institutions. Some of the

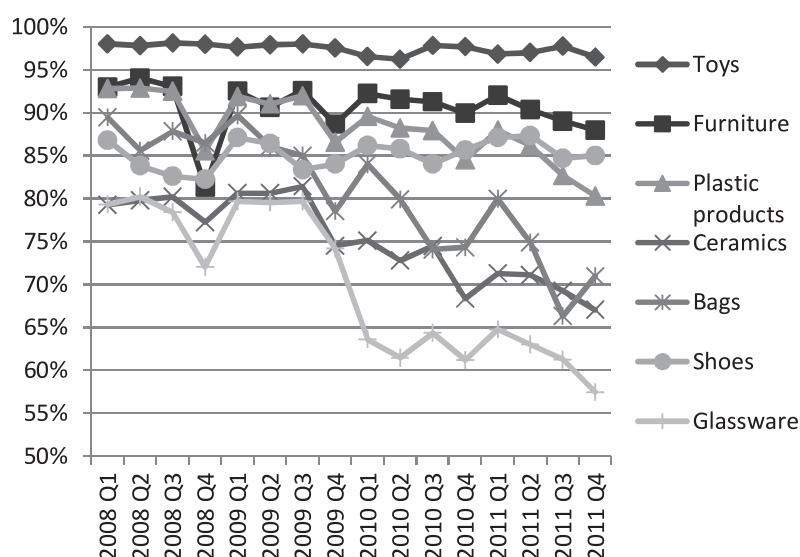
'national champion' level clusters in coastal China successfully built a set of platforms, including wholesale markets, industry associations, area brands, and exhibitions, that can also benefit factories in remote areas.⁸ Based on this evidence, domestic spatial relocation and the expansion of China's global shares are not contradictory with the development of industrial clusters in coastal China.

At the same time, clustering does not always provide benefits for firms located within clusters. Ito (2011), using firm-level data from Chinese manufacturers in 2007, found that firms within clusters tend to be less productive and less profitable compared to firms outside of clusters. An important reason for lower firm-level performance within clusters may be the widely observed homogeneity of the business models in China's clusters. The question of the role of clusters in industrial upgrading in China is still open.

Conclusion

In sum, China is still the "workshop of the world" and the largest manufacturing power even as international and domestic relocation has been underway since 2010. Although China dominated

Figure 3. Coastal China's share of national exports



Source: PRC Ministry of Commerce, Foreign Trade Office, monthly export data.

⁶ In the case of furniture, the gap between industrial output share and export share is considerable. It can be interpreted as the result of increased production to meet rising domestic demand in interior regions.

⁷ Input material, as can be easily imagined, may be another factor.

⁸ See Ding (2012).

the global market in labor-intensive products for a decade, its shares in some products declined in 2011. At the same time, Chinese domestic relocation and agglomeration in coastal China are both progressing.

Nevertheless, the era of coastal China as the “workshop of the world” is coming to an end in terms of its relative decline in manufacturing output. Although a number of labor-intensive and export-oriented industries tightly clustered in coastal provinces remain competitive, coastal China is no longer a promising manufacturing base for some other industries.

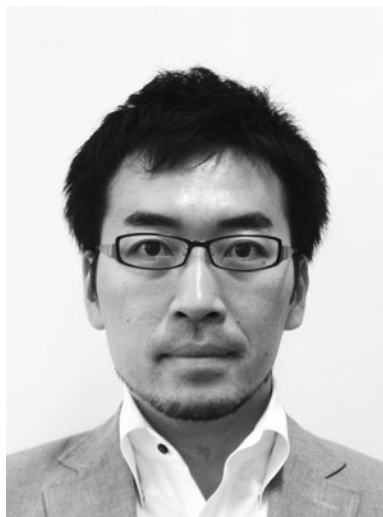
Therefore, the next phase of industrial relocation and upgrading will be important for the Chinese, Asian, and global economies. The long-discussed flying geese development pattern is also at a crossroads in East Asia. If China’s domestic relocation proceeds, economies following it will have a lesser chance to industrialize. This topic must be further examined through a comparative study of industrial location in coastal China, interior China, and other developing countries such as Southeast Asian countries.

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Can I Play Halfway Between Law and the Social Sciences?

FUJITANI Takeshi



Fujitani Takeshi, Associate Professor, recently joined the Institute of Social Science, the University of Tokyo. At the request of SSJ Newsletter, he shares with us the philosophy and goals behind his research at ISS.

It is not a straightforward task to succinctly describe what my research is about. In terms of established discipline, I would be categorized as a legal scholar who mainly studies tax law, administrative law, and public finance law; in terms of methodology, I would not mind being counted among “law and economics” scholars, who favor economic and functional approaches to the law. Yet, none of these existing categories fully capture my research interests and goals, and I’ve always found myself somewhere in-between.

To be more specific, my research has largely been concerned with three subjects areas: (1) tax law and policy for public interest or charitable organizations; (2) law and economics of public finance institutions; and (3) the transformation of public law in the context of globalization. These apparently scattered subjects are new and even “marginal” subjects amongst legal scholars. Although few legal scholars deny these subjects’ contempo-

rary significance, the nature and dynamism of these subjects make them hard to conceptualize as “legal questions.” The legal questions are not self-evident and can only be validated as “legal questions” through legal discourse. This discourse, made by scholars and practicing lawyers, has been all about how to “articulate” the infinitely complex reality of human and societal relations into stylized patterns so as to be comprehended and solved in terms of legal concepts and reasoning. Whenever the frontier of legal scholarship advances into new subjects, as with my research, the question always is whether they can be clearly articulated through legal concepts and reasoning. In other words, I often encounter the question from legal scholars, “Is your subject appropriate for legal scholarship?”

An illustration may clarify my point. Recently, the public finance systems of many developed democracies are facing debt crises, and strong demand for fiscal discipline. How can law address fiscal crises? Law students might argue for enacting laws mandating fiscal discipline either through statutory requirements on the government or constitutional constraints on the legislature. But the experiences of developed democracies with such fiscal rules are not overly encouraging. There are several difficulties with the idea of achieving “fiscal discipline by legally binding rules.”

First, any legal rules, written in natural language, cannot but be “incomplete” given the complexity of society. Indeed, the very function of the law, with the help of retroactive adjustment by “interpretation,” is to mitigate this intractable complexity by stylizing those facts of infinite variety into the patterns of legal concepts and giving legal effects thereto, so that the law can manage to control the society. Such stylization certainly comes

with “error costs” due to the over-/under-inclusive nature of the rules, but usually the efficiency gain of such stylization justifies those costs. Yet these gains might not suffice with fiscal discipline problems, because fiscal austerity could have a disastrous economic impact in which the “error” of judgment incurs enormous economic, social, and political costs. Moreover, this concern can be easily exploited to “soften” fiscal discipline by including an exception for “exceptional hardship to the economy.” Because it is almost impossible for the law to specify when exceptional is really exceptional – the articulation fails here – such difficulty compromises the efficacy of such rules.

Second, fiscal rules might not fit well with the traditional view that law is binding and must be enforced. In the case of fiscal rules, the rule-maker (the parliament as legislature) is the very addressee to be bound by the rule (the parliament as budget-authorizer). Not surprisingly, it is difficult to bind one’s hands by oneself. The parliament as rule-maker can change the laws that regulate the parliament itself. Then, if the parliament indeed meets its commitment to maintain fiscal discipline, isn’t it simply because of its political will, not by virtue of the legal rule? The standard answer to this dilemma is to constitutionalize the rule and leave it in the hands of the constitutional court. The court, an outsider to the political process, is supposed to keep the legislature from reneging; this is the theory behind the counter-majoritarian constitutional protection of human rights. It sounds good, but might be too rosy in the present context. Will judges be confident enough to second-guess elected leaders in the realm of economic policy where they don’t have as robust a case for counter-majoritarian rule as when protecting minority rights? As noted above, the “right” answer to fiscal discipline problems is very hard to identify.

This “fiscal discipline” problem illustrates the nature of economic and political dynamism inherent in the public finance system, and this is why legal scholars have been reluctant to deal with the question of what the law should be in the field of public finance—it is simply considered outside the realm of legal scholarship. Legal scholarship begins with the question of what the law is and therefore it differs from positive analysis (value-

free descriptive analysis) as pursued by social scientists in that it is rather an interpretative or hermeneutic inquiry, driven by systematic thinking (doctrines) to derive a normative legal proposition from the existing (system of) normative legal propositions. In this sense, legal scholars, as well as practicing lawyers, make normative arguments, but the bottom line is that such arguments must be supported by existing normative propositions – statutory and case laws, and often authoritative doctrines, too. From this orthodox approach to the law, such a thing as the “fiscal rule” described above is perplexing. Is it the “law” or simply a political manifesto? How strictly or flexibly should the rule be, if at all, enforced? These questions seem to belong to the realm of political science and economics rather than legal scholarship.

Nevertheless, it should be noted that the law and legal scholarship can, despite their inherent theoretical momentum toward an autonomous and organic system of law, accommodate the competing momentum for opening up to extra-system stimulus such as social scientific insights and real world changes; otherwise, the law becomes obsolete and irrelevant. Indeed, from time to time, legal scholarship has refined its approach to the law by adapting a variety of social science approaches such as sociology (sociology of law) and economics (law and economics). Provided the law is an autopoietic system, as Niklas Luhmann suggests, the border to the outside environment is semi-permeable, and it is legal scholarship that acts as intermediary.

In our example, “fiscal rules” could be analyzed in terms of “soft law” as symbolic expression that might affect the relevant players’ perception of the same political action, and might eventually, though the recursive play of social games, facilitate the equilibrium of better fiscal discipline. On what conditions will such positive feedback mechanisms work among norms, perceptions, and behaviors? Here, legal rules might be conceptualized as components of the institution, as comparative institutional analysis suggests. Social sciences have been, and will be, able to provide new analytical tools and concepts for legal scholarship.

Yet it is equally important to stress that the social scientific analysis of law should not be the ultimate goal. The new insights, coming from the social sciences must be re-integrated into the organic system of legal discourse or such new insights will not make a difference in legal practice, i.e., the unique channel of social control. Law and legal scholarship, like the social sciences, have unique intellectual relevance to society; therefore communication and collaboration among them is essential. Neither subordinating one to the other, nor their outright rejection and isolation is productive (as legal scholars who actively incorporated economic approaches were once criticized).

I hope what the title of this essay means has become clear by now. I am a legal scholar, who has strong interests in social sciences; I closely follow changes in society and offer legal scholars new theoretical frameworks that incorporate social sciences for legal scholars in a manner that can be fully integrated into existing legal scholarship. Given the genuinely distinctive natures of law and each of the social sciences, my work cannot aim for the unification of these disciplines, but rather I seek to construct a framework or “mindset” for the constant communication and intermediation among these fields. I believe that ISS offers a unique place for me to pursue this project.

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Q. How did you first learn about ISS?

I heard about ISS the first time in the early 2000s, when I was still a PhD candidate in France. I had the opportunity to meet Professor Michio Nitta, who kindly invited me to visit ISS in 2002 while I was in Japan completing my PhD dissertation on the re-segmentation of the Japanese labor market. While visiting ISS I greatly benefited from the advice of not only Professor Nitta, but also from speaking with Hiroki Sato and Keisuke Nakamura. I also took advantage of the incredible resources in the ISS library's collection. From that time, through the evolution of my research interests, I have had various opportunities to meet some of the researchers of ISS such as Shigeki Uno, Tomoo Marukawa, and even to organize some conferences in Paris with some of them such as Mari Osawa, Kenji Hirashima, Naofumi Nakamura, Yuichiro Mizumachi, and Yuji Genda.

Q. What are the main purposes of your current visit?

This time, the main purpose of my visit is to

develop my current research project on evolving welfare systems in Japan and South Korea. Thanks to Kenji Hirashima's invitation, I can talk to and exchange ideas with some of the leading experts on welfare issues in Japan.

Besides this, I am also here to prepare for a conference that Fondation France-Japon de l'EHESS is organizing jointly with GRIPS on the consequences of deindustrialization and the future of manufacturing in Japan, South Korea, France, and Germany. The conference will be held in Tokyo on April 8-9, 2013. I can find many resources at ISS to help to prepare for this conference.

Last but not least, another purpose of this stay is to reinforce the ties between ISS and EHESS with the help of Kenji Hirashima, who is in charge of international relations at ISS, and all other ISS researchers interested in developing the relationship between ISS and EHESS. Our goal is to promote mutual invitations and eventually start some joint research projects. On the EHESS side, we are also very much interested in involving more PhD candidates and post-docs in this collaboration.

Q. What are your current research interests?

One of my current projects, conducted with Robert Boyer, aims at better understanding welfare systems' diversity and evolution in East Asia. Our framework is the political economy of the diversity of capitalism and institutional change. We think that previous analyses of Asian capitalisms have underestimated or ignored in-depth analyses of Asian welfare systems and are therefore unable to adequately explain how these systems are currently changing. Our purpose is to better articulate public policies that would address structural changes such as ageing, rising inequalities, and other issues affecting families and firms in our understanding of evolving welfare systems in East Asia. This research project is part of a broader initiative that includes the launch of a network on Asian capitalisms within the Society for the Advancement of Socio-Eco-

nomics and the publication of a special issue of the *Socio-Economic Review* together with my colleagues Bruno Amable, Steven Casper and Cornelia Storz.

My second project is to investigate the consequences of deindustrialization (defined as a decrease in manufacturing's share of total employment and/or value added) on the labor market in Japan, South Korea, Germany, and France. Although the theoretical framework is different from the Asian welfare systems project and the empirical research is based on more quantitative techniques, the two projects are not unrelated. Our conviction is that deindustrialization is shaping societies like Japan, Korea, Germany, and France and that new welfare systems with the capacity to answer to this challenge need to be created. More precisely, my focus is the impact of the international side of deindustrialization on domestic labor markets. How, for example, do outward FDI and trade affect labor conditions in these four countries? This is a long-standing question, but there is still a huge gap between the answers from mainstream economists, who point to rather positive impacts, and the views of the general public who see globalization as responsible for all the problems that our societies are facing. The reality is more complex and our purpose is to investigate the impact of outward FDI and trade not only on the volume of employment, but also on more "qualitative" job indicators such as job security, job status, and skill demand.

Q. What do you like about ISS?

I think that two simple examples will be enough to explain what I like about ISS.

The first example is the following. On October 9, I gave a presentation titled "Understanding welfare changes in Japan and Korea." About 20 researchers participated in this talk including political scientists, economists, legal scholars, historians, and sociologists. I think that ISS is the

only place in Japan where you can have this experience. ISS's interdisciplinary ambition is very similar to the intellectual project of my own school in Paris, EHESS. I think this is a very difficult project but absolutely essential. Our two institutions share a similar goal and I really hope we can develop deeper relations based on this. In 2009, I created the Fondation France-Japon de l'EHESS. Its purpose is indeed to make the work of Japanese social scientists in various fields better known in France and in Europe. My view is that ISS is a gathering of great talents that should be better known in France. There is a high potential for fruitful collaborations between our two institutes.

A second example is more personal. As an economist who specializes in labor economics but who also tries to include other fields in his research, I am particularly impressed by the intellectual trajectory and the ambition of people such as Yuji Genda. He did ground-breaking research on job flows using quantitative techniques, then also used sociological tools to better understand the conditions of entry into the labor market for young people and their evolving behaviors toward work. He has extended his research further in developing the area of "hopology." His is only one example and there are many others in ISS. This kind of intellectual trajectory is not possible within a typical faculty of economics, where the environment may facilitate research and some cross-disciplinary exchange with particular fields, but also tends to propagate intellectual conformism. In contrast, the intellectual ambition of institutions like ISS and EHESS is to go beyond the borders of well-established disciplines in order to develop new concepts and new "alliances" between social sciences. The task is particularly difficult as researchers are becoming more and more specialized, which makes sustaining a dialogue between various social sciences harder. However, my conviction is that it is worth trying and researchers at ISS can be proud of what they are trying to accomplish.

ISS Contemporary Japan Group at the Institute of Social Science, The University of Tokyo

ISS Contemporary Japan Group seminar series provides English-speaking residents of the Tokyo area with an opportunity to hear cutting-edge research in social science and related policy issues, as well as a venue for researchers and professionals in or visiting Tokyo to present and receive knowledgeable feedback on their latest research projects. Seminars are open to everyone. Admission is free and advance registration is not required. For further information, please consult the CJG website: <http://web.iss.u-tokyo.ac.jp/cjg/>.



Ono Hiroshi

Associate Professor of Sociology, Texas A&M University

Welfare states and the redistribution of happiness

September 27, 2012

This seminar highlights recent developments in international and comparative happiness, with particular focus on work, marriage and family in Japan. Our empirical study uses data from the 2002 International Social Survey Programme, with roughly 42,000 individuals

nested within 29 countries, to examine the determinants of happiness in a comparative perspective. We hypothesize that welfare states redistribute happiness among policy-targeted demographic groups in these countries. The redistributive properties of the welfare states generate an alternate form of “happiness inequality” in which winners and losers are defined by marital status and income.

We apply multi-level modeling and focus on public social expenditures (as percentage of GDP) as proxy measures of state intervention at the macro-level, and happiness as the specific measure of welfare outcome at the micro-level. We find that aggregate happiness is not greater in the welfare states, but happiness closely reflects the redistribution of resources in these countries. Happiness is “transferred” from low-risk to high-risk individuals. For example, women with small children are significantly happier, but single persons are significantly less happy in the welfare states. This suggests that the pro-family ideology of the welfare states protects families from social risk and improves their well-being at the cost of single persons. Further, we find that the happiness gap between high versus low-income earners is considerably smaller in the welfare states, suggesting that happiness is transferred from the privileged to the less privileged.

— * * *

Hiroshi Ono (Ph.D. in sociology, University of Chicago) is Associate Professor of sociology at Texas A&M University. He is currently a visiting fellow at the University of Tokyo and Graduate Institute for Policy Studies (GRIPS). He has extensive international experience, having held professional and academic positions in the U.S., Japan, and Sweden. Prior to his current position, he was on the faculty at the Stockholm School of Economics where he was awarded the title of Docent (or second doctoral degree) in Economics. His research integrates sociology and microeconomics to study the causes and consequences of stratification and inequality, with applications in the areas of gender, family, education, and labor markets. His current work looks at patterns of career mobility in the Japanese labor market, and determinants of happiness in an international context. His papers have appeared in the *American Sociological Review*, *Economics of Education Review*, *International Journal of Human Resources Management*, *Journal of the Japanese and International Economies*, *Social Forces*, and *Social Science Quarterly*, among others.



Ronald P. Dore

London School of Economics

The four half-century phases of modern Japanese history

November 9, 2012

A crude periodization of Japanese history according to salient preoccupations that would doubtless give real historians the horrors: 1790-1840—Endogenous economic growth and

increasing sophistication of intellectual and aesthetic culture; 1840-95—Coming to terms with the dominant West; 1895-1945—The disastrous challenge to Western dominance; 1945-20??—the willingly prolonged American occupation; 20??-2050—Coming to terms with a dominant China. Most of the talk will be about the probabilities and possibilities of the last phase.

— * * *

Ronald Dore learned Japanese during the war and has spent most of his life studying Japanese society and economy. Much of his writing has been concerned with what comparison with Japan can tell one about third world development, and about the problems of education, industrial relations and corporate governance in the OECD countries. He has taught at London, University of British Columbia, Sussex, Harvard and MIT in departments of sociology, history and political science. Two collections of his writings have been published, *Social evolution, Economic Development, Culture, Change: What it means to take Japan seriously* (Edward Elgar, 2001) and *Collected Writings of Ronald Dore* (Routledge-Curzon 2002). In the last decade he has taken to writing polemical books in Japanese on corporate governance, work, foreign policy and nuclear proliferation.

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Steven R. Reed

Professor of Modern Government, Chuo University

The 2012 General Election

—What Happened and What Does it Portend?

December 21, 2012

I will first give a short overview of the events that led to this election and the choice sets available to Japanese voters. I will then attempt to put the 2012 election into both historical and comparative context. I will say something (depending upon the outcome) about the future of Japan's two-party system and of each of the major parties. I hope to leave plenty of time

for questions. (Please note that I do not study policy so questions about the policy implications of this election should be directed to someone else.)

— * * *

Steven R. Reed is professor of modern government at Chuo University in Japan, where all of his classes are taught in Japanese. His major areas of research are parties, elections, electoral systems, and Japanese politics. He recently co-edited *Political Change in Japan: Electoral Behavior, Party Realignment, and the Koizumi Reforms* (Brookings, 2009) with Kenneth Mori McElwain and Kay Shimizu. He has published in *The British Journal of Political Science*, *The American Journal of Political Science*, *The Journal of Japanese Studies*, *Comparative Politics*, *Comparative Political Studies*, *Party Politics*, *Electoral Studies* and several Japanese journals.

Recent Publications by ISS and ISS Staff

田中亘（著）
『企業買収と防衛策』
（商事法務）2012年12月



服部健治・丸川知雄（編）
『日中関係史 1972-2012 II 経済』
（東京大学出版会）2012年8月



鈴木翔（著）
『教室内カースト』
（光文社新書）2012年12月



伊藤靖史・大杉謙一・田中亘・
松井秀征（著）
『会社法 第2版』
（有斐閣）2011年1月



宇野重規・高山裕二・伊達聖伸（著，編集）
『社会統合と宗教的なもの
—十九世紀フランスの経験』
（白水社）2011年7月

Focus on ISS

Research Group on Markets and Industry

TANAKA Wataru and NAKABAYASHI Masaki

For those of us in the markets and firms group, corporate governance involves more than shareholders and management—the stakeholders involved also include boards of directors, employees, creditors (such as financial institutions), and customers. Relationships between all of these groups are structured and governed through contracts and we accordingly use contract theory as an analytical tool in our theoretical and empirical research. Corporate governance systems are by no means immutable; as firms' environments change, their corporate governance evolves in response.

For example, what has been termed “Japanese-style corporate governance” features lifetime employment and indirect financing. This form of governance was prevalent in postwar Japan, especially during the era of high-speed economic growth. On the other hand, corporate governance in the prewar period was premised on completely different institutions including fluid labor markets and developed direct finance markets. Our research examines the relationship between exogenous factors in the market environment and the elements of effective corporate governance using a comparative systems analysis that also takes historical antecedents into account.

About once a month we convene a research meeting and invite scholars from Shaken as well as other institutions to present their work and discuss new developments in the field. Participants come from many fields and include theoretical, empirical, and historical economists as well as legal scholars specializing in corporate law

The wide array of topics discussed at these meetings include: the use of contract theory to analyze the organization of mutual aid among employees; a quantitative assessment of the determinants of the structure of boards of directors; and historical research on the real state of corporate governance in pre-war Japan. We have also had presentations on recent changes to corporate law and labor law.

The participation of researchers from different fields enables us to actively debate a variety of issues and benefit from the infusion of varying viewpoints. We can expect these debates to give rise to new insights into the issue of corporate governance.