

Welcome to Asia Pacific Conference 2013 (APC 2013)

Ritsumeikan Asia Pacific University (APU) has continued to organize, through Ritsumeikan Center for Asia Pacific Studies (RCAPS), an annual forum for academic researchers to help with understanding the issues, exploring the solutions and sustaining commitments particularly in the Asia Pacific region. This effort continues in 2013 as APU seeks to metamorphose into a hub of learning and research on various aspects including those of interactions between nature and the society. The gathering of minds and sharing of experiences from various fields, disciplines, and professions from various countries is invaluable as we chart our common destiny. We are one in pursuing and shaping the future we want for all mankind.

This year's conference theme, "Revitalization and Development" is timely and relevant considering the persistence of poverty, population movements and shifts, environmental degradation, pervasive globalization and economic uncertainties, wars and global conflicts as well as the continuing threats of climate change and natural disasters, among others. These are dynamic, complex and inter-related global issues which require no less than comprehensive, integrative and trans-disciplinary analysis and strategies.

Indeed, we are confronted with difficult and tough questions. However, I am certain that the keynote speakers, presenters and discussants will unselfishly and intelligently address both specific and broad concerns under the conference's theme. Consequentially, we become better aware of the issues and their solutions. We are more determined and deeply committed to work together; and most importantly, we are ready and better equipped to take steps and even possibly leapfrog towards the goals of revitalization and development for our countries and peoples in the Asia Pacific Region and beyond.

I offer my warmest and heartfelt gratitude to all the keynote speakers, presenters, discussants, participants and conference staff for making the conference insightful, enjoyable and memorable. Congratulations too, to the director, the manager, and the staff of RCAPS as well as all other members of the Conference Organizing Committee, including the chairmen of the conference panels for their selfless and excellent efforts.

Let us look forward to more years of sustained collaboration and meaningful partnerships!

Francisco P. Fellizar, Jr.

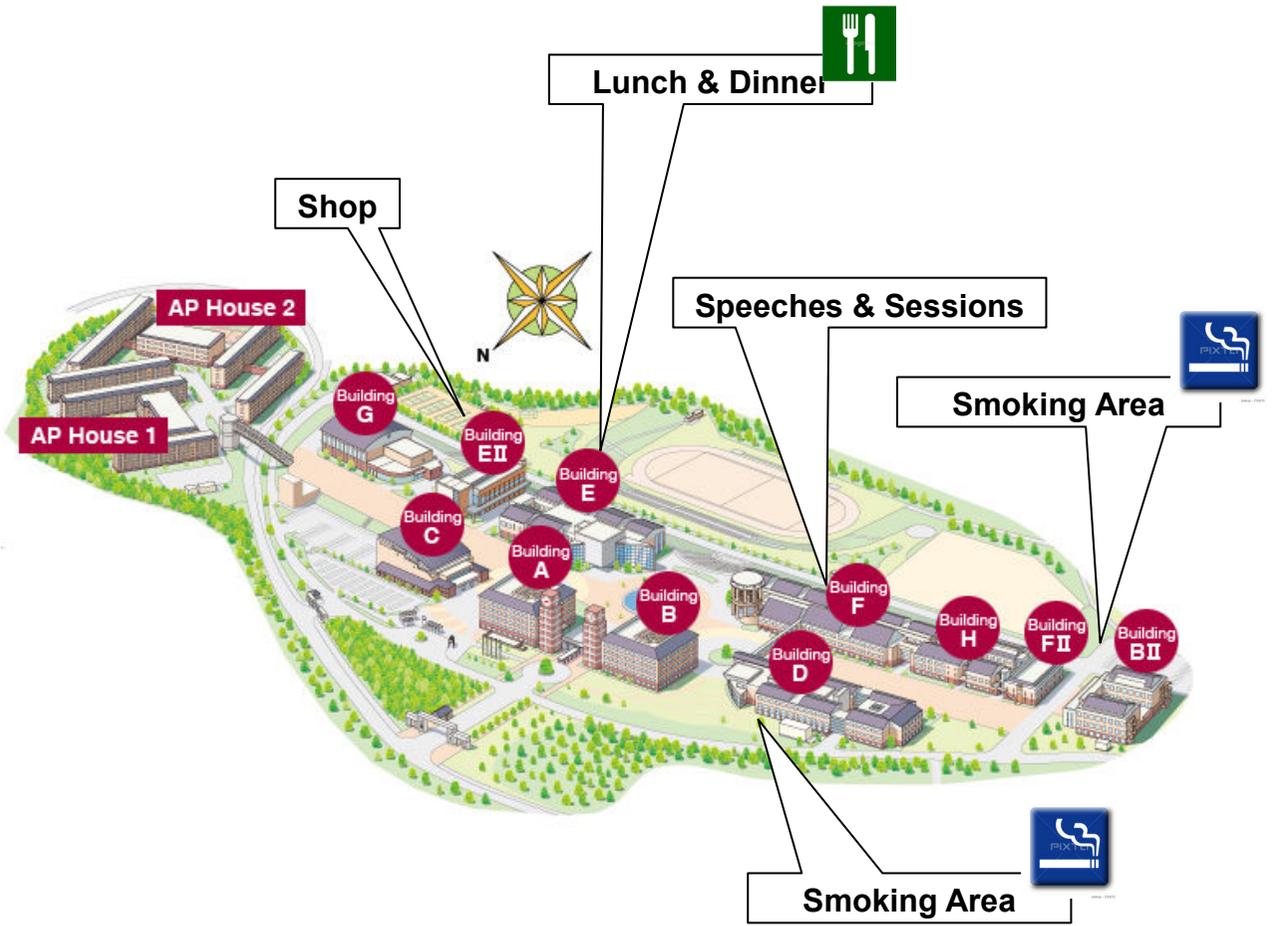
Vice President, International Cooperation & Research
Ritsumeikan Asia Pacific University (APU)

November 2013

2013 AP Conference Program

| Day | Time | Contents | Venue | Time | | | | | |
|---|---|--|--|---|---|---|---|---|--|
| Nov. 2nd | 9:00 | | | 9:00 | | | | | |
| | | Registration | @F bldg. 2F *Refreshments will be served. | | | | | | |
| | 10:00 | | | 10:00 | | | | | |
| | | Opening Remarks / Keynote Speech | @F204 "Diversity for Development and Development for Diversity: Culture, Agriculture and Innovation for Sustainable Development" Dr. KOOHAFKAN Parviz (President, World Agricultural Heritage Foundation) | | | | | | |
| | 11:00 | | | 11:00 | | | | | |
| | | Coffee Break | @F bldg. 2F | | | | | | |
| | 11:20 | | | 11:20 | | | | | |
| | | Panel Sessions 1 | <table border="1"> <tr> <td>Panel 1-A @F205 Environmental Science Chair: Prof. Mahichi /Prof. Yamashita 4 presentations</td> <td>Panel 1-B @F206 Public Health Chair: Prof. Ghotbi 4 presentations</td> <td>Panel 1-C @F207 Commerce and Economics 1 Chair: Prof. Kim 4 presentations</td> <td>Panel 1-D @F213 Tourism and Development 1 Chair: Prof. Vafadari 4 presentations</td> <td>Panel 1-E @F214 Business Ethics and Corporate Social Responsibility 1 Chair: Prof. Diefenbach 3 presentations</td> </tr> </table> | Panel 1-A @F205 Environmental Science Chair: Prof. Mahichi /Prof. Yamashita 4 presentations | Panel 1-B @F206 Public Health Chair: Prof. Ghotbi 4 presentations | Panel 1-C @F207 Commerce and Economics 1 Chair: Prof. Kim 4 presentations | Panel 1-D @F213 Tourism and Development 1 Chair: Prof. Vafadari 4 presentations | Panel 1-E @F214 Business Ethics and Corporate Social Responsibility 1 Chair: Prof. Diefenbach 3 presentations | |
| | Panel 1-A @F205 Environmental Science Chair: Prof. Mahichi /Prof. Yamashita 4 presentations | Panel 1-B @F206 Public Health Chair: Prof. Ghotbi 4 presentations | Panel 1-C @F207 Commerce and Economics 1 Chair: Prof. Kim 4 presentations | Panel 1-D @F213 Tourism and Development 1 Chair: Prof. Vafadari 4 presentations | Panel 1-E @F214 Business Ethics and Corporate Social Responsibility 1 Chair: Prof. Diefenbach 3 presentations | | | | |
| | 13:00 | Move | | | | | | | |
| | | Lunch | @Pacific Cafe | | | | | | |
| | 14:00 | Move | | | | | | | |
| | | Keynote Speech 2 | @F204 "Finding Home Away from Home: Filipinos in Tohoku after the 2011 Earthquake" Professor TERADA Takefumi (Professor, Sophia University) | | | | | | |
| | 14:50 | | | | | | | | |
| | Coffee Break | @F bldg. 2F | | | | | | | |
| 15:10 | | | | | | | | | |
| | Keynote Speech 3 | @F204 "Towards Peaceful Development in the Asia Pacific Region: The role of the countries of the region, including Japan, and the challenges they face" Professor YABUNAKA Mitoji (Former Vice-Minister for Foreign Affairs of Japan / Specially Appointed Professor, Ritsumeikan University) | | | | | | | |
| 16:00 | | | | | | | | | |
| | Coffee Break | @F bldg. 2F | | | | | | | |
| 16:20 | | | | | | | | | |
| | Panel Sessions 2 | <table border="1"> <tr> <td>Panel 2-A @F205 Sociology 1 Chair: Prof. Mani 3 presentations</td> <td></td> <td>Panel 2-C @F207 Commerce and Economics 2 Chair: Prof. Kim 3 presentations</td> <td>Panel 2-D @F213 Tourism and Development 2 Chair: Prof. Vafadari 4 presentations</td> <td>Panel 2-E @F214 Business Ethics and Corporate Social Responsibility 2 Chair: Prof. Diefenbach 2 presentations</td> </tr> </table> | Panel 2-A @F205 Sociology 1 Chair: Prof. Mani 3 presentations | | Panel 2-C @F207 Commerce and Economics 2 Chair: Prof. Kim 3 presentations | Panel 2-D @F213 Tourism and Development 2 Chair: Prof. Vafadari 4 presentations | Panel 2-E @F214 Business Ethics and Corporate Social Responsibility 2 Chair: Prof. Diefenbach 2 presentations | | |
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| 18:00 | Move | | | | | | | | |
| | Dinner | @Cafeteria | | | | | | | |
| 19:20 | | | | | | | | | |

| Day | Time | Contents | Venue | Time | | | | |
|-------------|---|---|---|---|---|---|---|--|
| Nov. 3rd | 9:00 | | | 9:00 | | | | |
| | | Registration | @F bldg. 2F | | | | | |
| | 9:30 | | | 9:30 | | | | |
| | | Panel Sessions 3 | <table border="1"> <tr> <td>Panel 3-A @F205 Sociology 2 Chair: Prof. Mani 3 presentations</td> <td>Panel 3-B @F206 Business and Management 1 Chair: Prof. Haidar 3 presentations</td> <td>Panel 3-C @F213 Economics Chair: Prof. Zhang 2 presentations</td> <td>Panel 3-D @F214 Regional Integration and Development Chair: Dr. Ramakrishna 4 presentations</td> </tr> </table> | Panel 3-A @F205 Sociology 2 Chair: Prof. Mani 3 presentations | Panel 3-B @F206 Business and Management 1 Chair: Prof. Haidar 3 presentations | Panel 3-C @F213 Economics Chair: Prof. Zhang 2 presentations | Panel 3-D @F214 Regional Integration and Development Chair: Dr. Ramakrishna 4 presentations | |
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| | 11:00 | | | 11:00 | | | | |
| | | Coffee Break | @F bldg. 2F | | | | | |
| | 11:20 | | | 11:20 | | | | |
| | | Panel Sessions 4 | <table border="1"> <tr> <td>Panel 4-A @F205 Sociology 3 Chair: Prof. Mani 3 presentations</td> <td>Panel 4-B @F206 Business and Management 2 Chair: Prof. Haidar 3 presentations</td> <td>Panel 4-C @F213 Economics and Development Chair: Prof. Nakayama 3 presentations</td> <td>Panel 4-D @F214 Information Science Chair: Prof. Nishantha 3 presentations</td> </tr> </table> | Panel 4-A @F205 Sociology 3 Chair: Prof. Mani 3 presentations | Panel 4-B @F206 Business and Management 2 Chair: Prof. Haidar 3 presentations | Panel 4-C @F213 Economics and Development Chair: Prof. Nakayama 3 presentations | Panel 4-D @F214 Information Science Chair: Prof. Nishantha 3 presentations | |
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| 13:00 | Move | | | | | | | |
| | Lunch | @Pacific Cafe | | | | | | |
| 14:00 | | | | | | | | |
| | Closing Remarks | @Pacific Cafe | | | | | | |
| 14:20 | | | | | | | | |



Campus Map

2013 AP Conference - Panel Sessions

November 2 (Sat) – 3 (Sun), 2013

Panel Sessions 1

November 2 (Saturday) 11:20 – 12:50

| Panel 1-A: Environmental Science Chaired by Professors Mahichi, and Yamashita | | Venue: F205 |
|--|---|--------------------|
| 1 | Coastal ecosystem and our life Hiroaki Tsutsumi, Prefectural University of Kumamoto | |
| 2 | Ecological diversity and distribution patterns of the Persian Gulf coral reef ecosystems Fereidoon Owfi, Iranian Fisheries Research Organization; with Mahnaz Rabbaniha, Faezeh Mahichi, Somayeh Ordo, and Sheida Dadashi | |
| 3 | Impacts of climate change on coral reef ecosystems: a case study in Okinawa, Japan Faezeh Mahichi, Ritsumeikan Asia Pacific University (APU); with Ken Arie (APU) | |
| 4 | Iran's forests and the current threatening factors Hadi Kiadaliri, Islamic Azad University; with Faezeh Mahichi, Ritsumeikan Asia Pacific University (APU) | |

| Panel 1-B: Public Health Chaired by Professor Ghotbi | | Venue: F206 |
|---|---|--------------------|
| 1 | Psychological support for revitalization and development through the Morita therapeutic approach Mari Aoki, Kamakura Women's University | |
| 2 | Community-based TB activities in rural area of Indonesia: a case of government–NGO partnership for TB control Sisca Wiguno, Ritsumeikan Asia Pacific University (APU) | |
| 3 | The national health insurance scheme (NHIS) in Dormaa municipality, Ghana: why some residents remain uninsured? Thompson Amo, Ritsumeikan Asia Pacific University (APU) | |

| Panel 1-C: Commerce and Economics Chaired by Professor Sangho Kim | | Venue: F207 |
|--|--|--------------------|
| 1 | Does openness lead to higher growth: insights from Indian manufacturing Pankaj Vashisht, Jawaharlal Nehru University | |
| 2 | Financial deregulation and allocative efficiency in banking Ahmad Shabbir, University of Queensland; with Abid Aman Burki, Lahore University of Management Sciences (LUMS) | |
| 3 | Financial globalization: evidence for increments in economic growth and income inequality Anurag, Indian Institute of Technology, Kanpur | |
| 4 | Impact of monetary policy on commercial bank lending in Ghana Joseph Quarshie, Ritsumeikan Asia Pacific University (APU) | |

| Panel 1-D: Tourism and Development Chaired by Professor Vafadari | | Venue: F213 |
|---|---|--------------------|
| 1 | Globally important agricultural heritage systems (GIAHS) and cosnservation Parviz Koochafkan, World Agriculture Heritage Foundation | |
| 2 | Human capacity building for tourism development in Kunisaki GIAHS: The case of farmer's guesthouse in Kunimi city, Kunisaki peninsula Kazem Vafadari Mehrizi, Ritsumeikan Asia Pacific University (APU) | |
| 3 | Human capacity building for GIAHS, with special reference to Noto's Satoyama Satoumi and Kanazawa University" Koji Nakamura, Kanazawa Univeristy, Japan | |
| 4 | GIAHS and Japan's shrinking communities: challenges and prospects of sustainable revitalization Abhik Chakraborty, Mountainous Region Research Center, Shimane Prefecture, Japan | |

| Panel 1-E: Business Ethics and CSR Chaired by Professor Diefenbach | | Venue: F214 |
|---|---|--------------------|
| 1 | On the religious conversion theory and individual religious change in the age of globalization Girardo Rodriguez Plasencia, Ritsumeikan Asia Pacific University (APU) | |
| 2 | Could the European superiority by the eighteenth century be explained by the theory of Adam Smith? Peng Hsiao Ping, Yu Da University of Science and Technology; with Chang, Ming Chung, National Central University | |
| 3 | Child labor and education in developing countries; the current situation and ways of support Hikari Aoki, Ritsumeikan University, Kyoto, Japan | |

Panel Sessions 2
November 2 (Saturday) 16:20 – 17:50

| Panel 2-A: Sociology Chaired by Professor Mani | | Venue: F205 |
|---|---|--------------------|
| 1 | The rise and fall of rubber in the economy of Brunei Darussalam A.Mani, Ritsumeikan Asia Pacific University (APU) | |
| 2 | Development with people-centred capital in seven low- income Asian countries Chang, Chiung-Ting, National Sun Yat-sen University | |
| 3 | Visual quality assessment of rural landscape in Bumiaji district, Batu city, Indonesia Poerwoningsih Dina, Toyohashi University of Technology; with Kakino Yoshinori, Toyohashi University of Technology, Japan | |

| Panel 2-C: Commerce and Economics Chaired by Professor Sangho Kim | | Venue: F207 |
|--|--|--------------------|
| 1 | Variations in total factor productivity of East Asian countries: the application of multi-factor models Lee, Younghoon, Sogang University, Seoul, Korea | |
| 2 | Returns to scale, markup and total factor productivity for the Japanese manufacturing industry Kim, Sangho, Ritsumeikan Asia Pacific University; Keunjae Lee, Pusan National University, South Korea | |
| 3 | Retrospect and prospect of structural change in Korean agriculture: an analysis of agricultural census (2000, 2005, 2010) Kim, Kyeong-Duk, Korea Rural Economic Institute, South Korea | |

| Panel 2-D: Tourism and Development Chaired by Professor Vafadari | | Venue: F213 |
|---|--|--------------------|
| 1 | The rise of East and Southeast Asians tourists in Europe: the case of Vienna Thanh Huong Bui, Ritsumeikan Asia Pacific University (APU); with Trupp Alexander, University of Vienna | |
| 2 | Asian communities and rural tourism: a comparative study of Japan and Thailand Thanyathon Padungsong, Ritsumeikan Asia Pacific University (APU) | |
| 3 | A feasibility study on sustainable mountain tourism development in the Republic of Tajikistan Xia, Xiaoi, Ritsumeikan Asia Pacific University (APU); with Faridun Hamraev, Tajikistan Technical University | |
| 4 | Community-based sustainable tourism in mangrove forests: case studies from Puerto Princesa City of Island Palawan, Philippines Dimithri Devinda Jayagoda, Ritsumeikan Asia Pacific University (APU) | |

| Panel 2-E: Business Ethics and CSR Chaired by Professor Diefenbach | | Venue: F214 |
|---|--|--------------------|
| 1 | Corporate Social responsibility (CSR) of social enterprises in South Korea Kim, Chung Hee, Ritsumeikan Asia Pacific University (APU); with Yong, Hee Yang, Hoseo University | |
| 2 | Public policy analysis of corporate social responsibility (CSR) in Indonesia Sri Oktavia, University of Huddersfield; with Meaton Julia, the Business School, University of Huddersfield | |

Panel Sessions 3
November 3 (Sunday) 09:30 – 11:00

| Panel 3-A: Sociology Chaired by Professor Mani | | Venue: F205 |
|---|--|--------------------|
| 1 | Ethnic majority's strategies for starting tourism business in ethnic minority areas: the case of Lao Chai village in Northern Vietnam Yukio Yotsumoto, Ritsumeikan APU; with Tatsuya Kanda, Ngu Huu Nguyen, Van Huu Nguyen, Thi Lan Huong Nguyen, and Yuzuru Isoda | |
| 2 | The relationship between career choice and job satisfaction among teachers in Vietnam Tran Ngoc Tien, Ritsumeikan Asia Pacific University (APU) | |
| 3 | Vietnam's strategy towards a rising China Joo, Min Je, Ritsumeikan Asia Pacific University (APU) | |

| Panel 3-B: Business and Management Chaired by Professor Haidar | | Venue: F206 |
|---|---|--------------------|
| 1 | Mobile technology and financial inclusion: the role of mobile money in leveraging rural households in Uganda Kasim Munyegera Ggombe, National Graduate Institute for Policy Studies | |
| 2 | Liberalization and FDI performance among ASEAN and SAFTA member countries Muhammad Shariat Ullah, Ritsumeikan University; with Kazuo Inaba, Ritsumeikan University | |
| 3 | Household livelihood change and community capacity development under government operated micro credits in rural Bangladesh Md. Ziaul Hasan, Ritsumeikan Asia Pacific University (APU) | |

| Panel 3-C: Economics Chaired by Professor Wei-Bin Zhang | | Venue: F213 |
|--|---|--------------------|
| 1 | Growth and inequality in a small-open tourist economy Zhang, Wei-Bin, Ritsumeikan Asia Pacific University (APU) | |
| 2 | Altruistic or opportunistic: consumer perception of cause-related products Thi Thanh Man Nguyen, Doshisha University, Japan | |

| Panel 3-D: Regional Integration and Development Chaired by Pofessor Porter | | Venue: F214 |
|---|--|--------------------|
| 1 | Building resilience to natural disasters and major economic crises Yejin Ha, East and North-East Asia Office, United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) | |
| 2 | Post-Great East Japan Earthquake rail reconstruction: the case of Miyako City, Iwate Prefecture David Nguyen, University of Hawaii, Manoa, the United States | |
| 3 | Does political revitalization in Myanmar affect Myanmar's economic relations with her longtime ally, China? Naing Soe San, International University of Japan | |
| 4 | The aid of Japan and China to Cambodia's economy and politics from 1997 to 2010 Vitom Chea, Ritsumeikan Asia Pacific University (APU) | |

Panel Sessions 4
November 3 (Sunday) 11:20 – 12:50

| Panel 4-A: Sociology Chaired by Professor Mani | | Venue: F205 |
|---|---|--------------------|
| 1 | Masyarakat Kampung Konservasi (conservation village community): a model program for social and economic community development for the surrounding forest community in Indonesia Sri Oktavia, University of Huddersfield | |
| 2 | The challenges in the economic development of land-locked Laos Nasrat Sayed, Ritsumeikan Asia Pacific University (APU) | |
| 3 | Spatial distribution of student skills outcomes at the district level in India Maxwell C. Caughron, Ritsumeikan Asia Pacific University (APU) | |

| Panel 4-B: Business and Management Chaired by Professor Haidar | | Venue: F206 |
|---|---|--------------------|
| 1 | National innovation system of Ghana, lessons drawn from Malaysia Michael Allotey, Ritsumeikan Asia Pacific University (APU) | |
| 2 | The impact of shared organizational mission statements: a strategic management perspective Mohammed Arshad Mohammed Azad, Ritsumeikan Asia Pacific University (APU) | |
| 3 | Implications of transformational leadership, learning organization and organizational innovation towards organizational performance: a case study of Bank Syariah Mandiri Jakarta Alif Theria Rifana, Ritsumeikan Asia Pacific University (APU) | |

| Panel 4-C: Economics and Development Chaired by Professor Nakayama | | Venue: F213 |
|---|--|--------------------|
| 1 | On the complementarities between human capital and public revenues: consequences for development Carlos Bethencourt, Universidad de La Laguna | |
| 2 | International trade and domestic employment: Does it matter whom you trade with? Pankaj Vashisht, Jawaharlal Nehru University, India | |
| 3 | Exploring the possibility of using microfinance institutions to promote small and medium-sized enterprises in Tajikistan Oliya Maxudova, Ritsumeikan Asia Pacific University (APU) | |

| Panel 4-D: Information Science Chaired by Professor Nishantha Giguruwa | | Venue: F214 |
|---|---|--------------------|
| 1 | The analysis of indigenous forest conservation and land use in Tanah Ulayat, Indonesia Ridart Regy Ineke, Universitas Indonesia | |
| 2 | Tapping the webs of wisdom (WoW), crowdsourcing potential and emerging business trends: success stories from Japan Giguruwa Nishantha, Ritsumeikan Asia Pacific University (APU) Monte Cassim, Ritsumeikan University, Kyoto, Japan | |
| 3 | Simulation of evolution of agricultural food production in open field conditions Kumara KJC, MED Engineering Monte Cassim, Ritsumeikan University, Kyoto, Japan | |

Notes from the Editor

The annual Asia Pacific Conference at Ritsumeikan Asia Pacific University (APU) is being held in November 2013 while the people living in the Tohoku area of Japan who were affected by the March 11th, 2011 triple disasters of Earthquake-Tsunami-Radioactive contamination are struggling hard to revitalize their communities and restore their shattered economies and livelihoods. The continuing leakage of radio-contaminated water from Fukushima nuclear power-plants run by TEPCO is still a concern to all people in Japan, especially regarding the future of energy resources, as well as their safety and sustainability. The special theme of this year's conference is "Revitalization and Development", which is intended to encompass recovery from these and many other natural disasters frequently affecting the Asia Pacific region, including earthquakes, typhoons, flooding and landslides.

The first keynote speech is by Dr. Parviz Koochafkan, the former Director of Land and Water Division, Food and Agriculture Organization (FAO) of the United Nations (UN), and the current President of the World Agricultural Heritage Foundation. The selection of Dr. Koochafkan as keynote speaker this year coincides with the successful nomination of Oita Prefecture's Kunisaki peninsula as a Globally Important Agricultural Heritage Site (GIAHS) by FAO. Regarding the significance of this international recognition in strengthening of the development of agriculture as well as associated tourism activities in Oita, I would like to emphasize on the role that APU has played in this process, especially through one of our young faculty members, Associate Professor Kazem Vafadari who has spent plenty of time and energy as the principal adviser to Oita Prefecture. We at APU are proud to have initiated a trigger to energize 'revitalization' and 'development' in this part of Japan, and hope that the research presentations in this conference will provide further ignition to the 'revitalization' movement all across Japan, and in the Asia Pacific region.

Another keynote speech is presented by Mr. Mitoji Yabunaka, former Vice-Minister in the Ministry of Foreign Affairs of Japan, as well as specially appointed professor at Ritsumeikan University. He will offer an overview of Japan's perspective regarding the current situation in East Asia surrounding Japan, in particular on Japan-China relations, its background, and sources of conflict. The presentation also includes a review of Japan's relations with the Republic of Korea, North Korea, and the US as well as Japan-ASEAN relations with a view towards more constructive relations. In this regard, he will consider and present some possible scenarios, along with an explanation of Japan's diplomatic initiatives towards a more balanced and constructive East Asia, and towards globalization, with a view of the indispensable elements needed to meet the challenges of globalization, in particular for Japanese universities.

The Conference Panels include presentations that target a wide range of issues in the Asia Pacific region. We have attempted to invite senior as well as junior researchers and graduate students to a dynamic discussion in the hope that they will start drafting research papers for publication before they leave the APU campus. All applicants to the AP Conference 2013 were asked to submit an 'abstract' of the research they had planned to present at the conference. The abstracts were reviewed by experts in the related fields mainly to screen and select the best presentations. The screening was performed by selected members from the RCAPS Steering Committee, as well as other APU faculty members who kindly accepted the responsibility to chair the Panel Sessions.

Here I would like to mention the names of all our chairmen and thank them for their pure and sincere support of this great annual academic endeavor at Ritsumeikan Asia Pacific University (APU). The following list mentions the names of some of the said faculty members, arranged alphabetically by their given names:

- A. Mani, Professor, College of Asia Pacific Studies (APS)
- Ali Haidar, Professor, College of International Management (APM)
- Edgar A. Porter, Professor, College of Asia Pacific Studies (APS)
- Faezeh Mahichi, Associate Professor, College of Asia Pacific Studies (APS)
- Giguruwa G.D. Nishantha, College of Asia Pacific Studies (APS)

Haruo Nakayama, Professor, College of International Management (APM)
Hiromi Yamashita, Associate Professor, College of Asia Pacific Studies (APS)
Kazem Vafadari, Associate Professor, College of Asia Pacific Studies (APS)
Ken Arii, Associate Professor, College of Asia Pacific Studies (APS)
Nader Ghotbi, Professor, College of Asia Pacific Studies (APS)
Sangho Kim, Professor, College of International Management (APM)
Thomas Diefenbach, Associate Professor, College of International Management (APM)
Wei-Bin Zhang, Professor, College of International Management (APM)

At the next stage, the applicants whose abstracts had been accepted for presentation were asked to submit a “Summary Paper” to be edited, formatted and published in the “Proceedings to the Asia Pacific Conference 2013”. It was decided that only the summary papers, with about 1,000~3000 words, would be included at the proceedings, and not the abstracts which were about 150-250 words. From among 57 presentations scheduled in the regular panel, 46 of them were supplemented with the summary of the paper before the deadline, and thus will appear here at the Proceedings of the AP Conference 2013. They include four papers on “Business Ethics & Corporate Social Responsibility”, five papers on “Business & Management”, seven papers on “Commerce and Economics”, two papers on “Economics”, three papers on “Economics and Development”, four papers on “Environmental Science”, one paper about “Information Science”, four papers on “Public Health”, five papers on “Regional Integration & Development”, six papers about “Sociology” and four papers on “Tourism & Development”. I hope the alphabetical listing of the panels helps with an easier understanding of the range of themes and topics presented at the conference.

Again, I am pleased to announce that all the researchers who attended the AP Conference 2013, specially those who submitted a summary version of their research paper, are welcome to submit to us the ‘Full Paper’ of their presentation for publication at the next issue of “Ritsumeikan Journal of Asia Pacific Studies (RJAPS)”. Because their research has already been screened and accepted for presentation at the conference, the review process would be simpler and mainly consist of an editorial check to confirm that the structure and format of the paper follows the guidelines announced in the homepage of the RCAPS as well as in the RJAPS ‘Notes for Contributors’. Any issues in the full paper that would require revision would be communicated to the authors through the RCAPS office after consultation by the reviewer and the chief editor of the RJAPS. Authors who would prefer to submit their work to any other journal are also free to do so and the AP Conference 2013 does not hold any copyright claims over the research papers presented at the conference or published as a summary paper in its proceedings.

Let me also express my appreciation for all the support and assistance we received from the APU faculty and the staff of the Research Office, specially its Manager Mr. Kataoka, Mr. Oshiro, Mr. Tau, and Ms. Abe from the RCAPS division as well as other members of the Research Office. This would have not been possible without your work. There were other APU faculty and office staff who in one way or another helped with this conference though I could have not mentioned all their names. We are also grateful to all the researchers and scholars who responded to our conference call and came all the way to the beautiful city of Beppu in Kyushu, Japan.

Thank you all

Nader Ghotbi, MD, PhD
Director, Ritsumeikan Center for Asia Pacific Studies (RCAPS)

Diversity for Development and Development for Diversity: Culture, Agriculture and Innovation for Sustainable Development

Parviz Koohafkan (PhD), President, World Agricultural Heritage Foundation , Rome, Italy; former Director of Land and Water Division, Food and Agriculture Organization (FAO-UN); Visiting Professor, APU

The memory of agriculture and associated civilizations is carried by landscapes, seeds, plants, animals and by farmers' knowledge and technologies, as well as by oral traditions, languages, arts, rituals, culinary traditions, and unique forms of social organization. Together, these elements are the integral parts of living agricultural systems and the associated cultures. In many countries, unique agricultural systems and landscapes have been created, shaped and maintained by generations of farmers, herders and fisher-folks who depend on the diverse ecosystems and their interactions, and use locally adapted, distinctive and often ingenious combinations of management practices and techniques.

Traditional agriculture has often been considered ‘backward’, doomed to be phased out during the past fifty years of agricultural modernization. However, numerous ‘Agricultural Heritage Systems’ around the world have proven their robustness and resilience and have passed the test of time. They offer solutions for present and future generations and environmental sustainability. They contain a wealth of biological resources, knowledge systems and management practices that can help ensure food security and quality of life for humanity and are able to cope with challenges of today and tomorrow.

Building on generations of accumulated knowledge and experience, these ingenious agri-‘cultural’ systems reflect the evolution of humanity and its profound harmony with nature. They have resulted not only in outstanding aesthetic beauty, maintenance of globally significant agricultural biodiversity, resilient ecosystems and valuable cultural inheritance but, above all, in the sustained provision of multiple goods and services, food and livelihood security and quality of life for the poorest and remotest communities.

Such agricultural, forestry, fishery and agro-silvo-pastoral systems can be found in particular, in highly populated regions or in areas where the population has, for various reasons, had to establish complex and innovative land-use and management practices, for example, due to geographic isolation, fragile ecosystems, political marginalization, limited natural resources, and/or extreme climatic conditions.

Indeed, the myriad of our agricultural heritage and particularly, the Globally Important Agricultural Heritage Systems (GIAHS) represent a unique subset of traditional agricultural systems, which exemplify the customary use and benefits of globally significant agricultural biodiversity and their merits need to be recognized as a heritage of mankind. GIAHS are defined as remarkable land use systems and landscapes which are rich in globally significant biological diversity evolving from the co-adaptation of a community with its environment and its needs and aspirations for sustainable development (FAO, 2002).

The Globally Important Agricultural Heritage Systems (GIAHS) deserve recognition and safeguarding, because of their landscape and associated cultural values but also for their invaluable contribution to local livelihoods and food security, indigenous knowledge and conservation of biodiversity. Not only does our agricultural heritage carry the accumulated wisdom and memory of the past, they are also building blocks and essential foundation for our future in a rapidly changing world.

Up to this date, some 20 GIAHS have been recognized in 15 countries, 8 of which 8 are located in China and 4 in Japan. The GIAHS designation goes beyond the mere identification of interesting agricultural systems and their transformation into attractive snapshots of aesthetic landscapes. As has been demonstrated in China, Japan, and elsewhere, people take pride in the value given to their heritage and are extremely proud when the system they have nurtured is singled out as a GIAHS.

**Finding Home away from Home:
Filipinos in Tohoku after the 2011 Earthquake**

Takefumi Terada (PhD), Sophia University, Tokyo, Japan

In 2011, a few days after the disasters of March 11, a considerable number of Filipinos (approximately 150, including children) were evacuated from the Sendai and Fukushima areas to relief centers in Tokyo. The earthquake, tsunami, and especially the nuclear power accident at Fukushima definitely affected the lives of these Filipinos, who were mostly women married to Japanese citizens.

A significant transformation currently visible among them, is the fact that more Filipino women now appear at various Catholic churches in the Tohoku area such as Ofunato, Kesenuma, and other areas, to attend mass. Prior to March 11, no Filipino priest was assigned to the Catholic Sendai Diocese, which comprises the prefectures of Aomori, Iwate, Miyagi, and Fukushima. Realizing the importance of organizing a regular Tagalog or English mass for the Filipinos, the Diocese assigned two Asian priests, Filipino and Indonesian, fluent in Tagalog, to work in Ofunato and serve other Filipino communities as well as other foreigners in the devastated areas.

The Filipinos for a variety of reasons had earlier faced several obstacles in coming to church and attending mass. However, the churches in their respective vicinities have been transformed into gathering places and networking hubs. In June of 2012, the Catholic Church at Fukushima gathered 250 foreigners, the majority being Filipinos, suggesting a change in the composition and character of the Roman Catholic Church in Japan that was previously dominated by European and North American missionaries. The sense of being Filipino and Catholic in Japan has certainly roused in the months following the 2011 disaster in Tohoku.

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Could the European superiority by the eighteenth century be explained by the theory of Adam Smith?

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Abstract

A general review of the literature suggests a comparative advantage in Europe relative to that in China; for instance they may refer to the well-organized enterprises, more rapid progress in technology, and the regional spirit which has encouraged the boom of capitalism in Europe. However, such arguments are what in fact Adam Smith disapproved of. Smith's arguments may be contrary to the general assessment that the European development is superior to China. Smith emphasized on the difference between agricultural system and mercantile system of political economy in distinguishing between a natural progress to opulence from the distorted path to opulence. Smith asserted that the natural progress to opulence would be through a path from agriculture, to manufacturing and to commerce, and he often took China as a good example to explain his argument. However, the ancient state of Europe after the fall of the Roman Empire experienced a distorted path to opulence which is biased to mercantilism and capitalism. In fact, such general assessment of European superiority is challenged recently. Therefore, whether the development of Europe is superior to that of China is worth studying. In this paper, we aim at revising, systematizing and formalizing Smith's approach to the progress of opulence in different nations, and at solving the puzzle why European development is not so admirable in Smith's viewpoints.

Introduction

In general, the literatures propose that there is a comparative advantage in Europe relative to that in China by eighteenth century; their viewpoints could be summarized to the following aspects: the well-organized enterprises, more rapid technological progress, especially in the capital-intensive path, and the regional spirit which has encouraged the boom of capitalism. For example, Weber (1930) specifies a number of fundamental socio-economic factors which distinguish the European experience from that of China, and which were of crucial importance to the emergence of modern capitalism. He argued that the Puritans were calling to work which contributed to modern European capitalism; he said that "one of the fundamental elements of the spirit of modern capitalism, and not only of that but of all modern culture was rational conduct on the basis of the idea of the calling." On the contrary, Weber believes Confucianism in China stresses rational adjustment to the world so much that it could not have generated the moral dynamism in economic activity similar to what enriched the spirit of European capitalism.

However, such arguments are what Adam Smith disapproved of. Smith emphasized on the difference between agricultural system and mercantile system of political economy to distinguish the natural progress from the distorted path. Smith asserted that the natural progress to opulence would be a path from agriculture, to manufacturing, to commerce, and he often took China as a good example to explain his argument. However, the ancient state of Europe after the fall of the Roman Empire experienced a distorted path to opulence which is biased to mercantilism and capitalism. That is why Blue (1999, p.99) emphasizes that Max Weber "underestimated the richness and complexity of traditional Chinese ethical thought." Moreover, in Smith's viewpoints, the technology change could be reached by the extent of the market and the division of labor. It is not necessary from the regional callings or ardor passions.

In fact, the general assessment of European superiority has been challenged recently. Pomeranz (2000, p.16) argued there is little to suggest that Western Europe's economy had decisive advantages before the preindustrial world, for European industrialization was still quite limited outside of British until at least

1860. Thus, positing a “European miracle” based on features common to Western Europe is risky. In fact, the miracle was also widely found and shared in Eurasia (China and Japan). Hoffman (2011, pp.39-40) also pointed out that it seems to have been overlooked that Western Europe possessed an undeniable comparative advantage well before 1800. The illusion merely comes from a more advanced military technology. Moreover, Wong (1999, pp.210-211) pointed out that it was difficult to adopt explanations of economic change in European history to Chinese experiences, when we take European developments as the norm; then all other experiences appear to be abnormal. Wong indicated that specifically for economic dynamics, “we usually attempt to explain economic development with appeals to the rise of capitalism.” Therefore, whether the development of Europe is superior to that of China is worth studying. In this paper, we aim at revisiting, systematizing and formalizing the Smith’s approach to the progress of opulence in different nations, and at solving the puzzle why European development is not so admirable in Smith’s viewpoints.

Discussion

In the study of Chinese economic history, scholars had noticed Chinese development indeed matched Smith’s description. Wong (1999, p.219) suggested that the dynamics of economic activity between the tenth and eighteenth centuries showed some common trends in both China and Europe, even if the timing and the spatial patterns are not exactly the same. The similarities are the spread of market exchange, development of long-distance commerce, clearance of new lands, improvements of agricultural technology, and the expansion of rural industry. Wong concluded that the transition and progress of such economic growth was elaborately and best presented by Adam Smith’s logic. Smith emphasized on productivity gains from specialization and from division of labor. As the market extended, the opportunities for Smithian growth increased accordingly.

Aspromourgos (2010, p.1176) also suggests that the most vigorous enunciation of general opulence as the standard for judging economic development is found in Adam Smith’s emphasis that “National opulence is the opulence of the whole people, which nothing but the great reward of labor, and consequently the great facility of acquiring, can give occasion to.” Aspromourgos pointed that productivity growth from division of labor enables general opulence, meaning all the conditions for high output and labor productivity growth – and for its realization in generalized high consumption – which are necessary to ensure it.

Kurz (2010, p.1218) referred to different forms of technical changes that shift the frontier over time in different ways. Translating an ever deeper division of social labor, Smith’s *thema probandum*, implies a shift away from the origin and a steeper slope of the curve, reflecting a sustained growth in labor productivity. Therefore, the growth of labor productivity enhances the general opulence which improves the welfare of all people; this is quite important in Smith’s concern. Smith endeavors to distinguish the agricultural system of natural opulence from the mercantile system of distorted path with regard to enriching the people; Smith often takes China as a typical example of the former style in contrast to the distortion in Europe.

We (Peng and Chang, 2012a, pp.702-703) demonstrated that the characteristics of Confucianism exactly fit the alternative measure for governing people from the viewpoint of Smith’s theory. In Europe, the typical nobleman consciously and intentionally attempts to demonstrate the elegant and graceful sense of his own superiority, to make his fellow citizens submit to his desired authority and to show that it was sufficient to ‘govern the world’. Moreover, the nobleman does not preserve the dignity of his rank by virtues or by important accomplishments. The nobleman is one who is accustomed to being looked upon as naturally superior. In contrast, the characteristics of Confucianism exactly fit the alternative measure for governing the people from the viewpoint of Smith’s theory.

Confucianism argues that the political foundation of sovereignty needs to be grounded on the people, rather than nobility. That is why the Chinese monarch was not encouraged to dazzle and fascinate his subjects by luxury spending. He was convinced that it was necessary to extend benefits to the people in order

to ensure a long-lasting dynasty. We (Peng and Chang, 2012b, pp.225) also pointed out the division of labor itself is a part of the Smithian inward-oriented policy. Corresponding to his classification of political economy, Adam Smith favors the agricultural system. He often presented evidence from China to support his viewpoint. Adam Smith emphasized that the security where every person “shall enjoy the fruits of his own labor is alone sufficient to make any country flourish, notwithstanding these and twenty other absurd regulations of commerce”.

This is because the natural effort of every individual to better his own condition is so powerful, that by itself and without any assistance, “is not only capable of carrying on the society to wealth and prosperity, but of surmounting a hundred impertinent obstructions with which the folly of human laws too often incumbers its operations”. This argument yields two implications. First, internal tranquility is more important than liberty. In other words, liberty is praiseworthy, but it does not matter so much as long as internal tranquility is guaranteed. Second, internal tranquility automatically leads to economic development.

In short, according to Adam Smith’s theory, for a sovereign, there is much room for inner economic development. There are three means which are completely under the direction of a sovereign and are able to raise the wealth: accumulating capital, developing home trade and encouraging home investment. This argument is more relevant to China, because, as observed by Adam Smith (1904, IV.9.41): “The home market of China is, perhaps, in extent, not much inferior to the market of all the different countries of Europe put together”.

Moreover, Adam Smith (1904, I.3.7) stated that inland navigation contributed to the opulence of ancient Egyptians, the Indians and the Chinese. “The wealth of these ancient countries sufficiently demonstrates that a nation may attain a very high degree of opulence though the greater part of its exportation trade be carried on by foreigners.” Given the above considerations, we can say that Adam Smith regarded both internal tranquility and economic development as socially desirable, but viewed internal tranquility as more important than economic development, and that it would automatically lead to economic development. Note that in capitalism, internal tranquility may not even be regarded as praiseworthy, because it may weaken the passions of the entrepreneur whose role is to identify arbitrage opportunities for profit seeking. In other words, Adam Smith constructed a theory of morals, which showed how self-love, mitigated by superior reason and self-command, can result in justice and sometimes beneficent actions to general opulence.

However, Smithian growth theory is scantily noticed, and scholars are still used to evaluate economic performance by the criteria of efficiency. Krugman (1994, p.67) suggested that mere increases in inputs without an increase in the efficiency leads to diminishing returns and the input-driven growth would be inevitably limited. Krugman (1994, p.70) suggests that Asian growth seems to be driven by extraordinary growth in inputs like labor and capital rather than by gains in efficiency, so it is just a paper tiger. He asserted that Singapore’s growth was the most extreme case which was achieved purely through mobilization of resources. Krugman noted that “Other rapidly growing East Asian economies have not increased their labor force participation as much, made such dramatic improvements in educational levels, or raised investment rates quite as far.” Krugman (1994, p.78) suggested if there is a secret to Asian growth, “it is simply deferred gratification, the willingness to sacrifice current satisfaction for future gain.”

Krugman’s argument is opposite to Adam Smith’s explanation of the natural path of opulence. Viner (1927, pp.227-228) stated that Smith supported the participation of the government in the general education of the people, because it would help them to become happier and healthier men in mind and body. Moreover, Smith also supported government restrictions on private initiatives where neither justice nor defense was involved. In the realism of political economy, Adam Smith ([1776] 1904, IV.9.51) pointed out that the sovereign has only three duties to attend to: first, the duty of protecting the society from violence and invasion of other independent societies; secondly, the duty of protecting, as far as possible, every member of the society from injustice or oppression of every other member of it, or the duty of establishing an exact administration of justice; and, thirdly, the duty of erecting and maintaining certain public works and certain

public institutions that would never be in the interest of any individual or small number of individuals to erect and maintain, because the profit could never repay the expense to any individual or small number of individuals, though it may frequently do much more than repay to a great society.

Adam Smith ([1776] 1904, V.1.70) emphasized that besides the public institutions and public works necessary for the defense of the society and for the administration of justice, the institutions for facilitating the commerce of the society, and for promoting the instruction of the people should be provided. There are two kinds of institutions for instruction: those for the education of youth, and those for the instruction of people of all ages. It is worth noting that the implication of the third duty is to maintain an impartial market economy which could provide a plentiful revenue or subsistence for the people, or more properly to enable them to provide such a revenue or subsistence for themselves.

Adam Smith ([1776] 1904, V.1.180) suggested that in a civilized and commercial society, the education of common people perhaps requires the attention of the public more than that of people of some rank and fortune. Smith's suggestion that "Give the best education to the people" tends to render their learning both as solid as possible, and as useful as possible. The long time and the great expense in their education would enhance the cost of labor and improve labor productivity. Therefore, the Asian growth is not a paper tiger but a typical natural progress in Smith's viewpoints.

Aspromourgos (2010, pp.1177-1178) also emphasizes that Smith interpreted the history of human material development in terms of the 'progress' of opulence. Since opulence is one and the same thing as growth of output, of labor productivity, and its consumption realization, it is not a product as mercantilism advocated. Aspromourgos suggested that with regard to the pursuit of general opulence, good economic policy is primarily about providing the best framework within which human nature – acting through accumulation, division of labor and competition – can procure generalized high consumption for all. Aspromourgos pointed out that the material welfare of the great majority is the concern of Smith's political economy; "and since the laboring classes make up the bulk of the population, the general opulence at which it aims requires high or higher consumption for at least the bulk of those."

Therefore, Weber's statements of "the Puritan wanted to work in a calling; we are forced to do so." seems to be opposite to the concern of consumers' benefits, for both Weber and mercantilism merely care about the interests of suppliers. Smith ([1776] 1904, Book IV) denounced the mercantilist system severely for it principally encouraged the industry of monopoly which is carried on for the benefit of the rich and the powerful at the expense of the poor. Especially, Smith ([1776] 1904, I.10.86 and IV.7.194) stated that the exercise of monopoly power by modern giant and multinational corporations necessarily weakens the force of the discipline of sound institutions and regulations; they are nuisances in every respect. Smith ([1776] 1904, I.10.81) warned such European opulence is in itself necessarily slow, uncertain, liable to be disturbed and interrupted by innumerable accidents, and in every respect contrary to the order of nature and of reason.

Furthermore, Smith denounced the organization of European enterprises which aim to reinforce monopoly power by sophisticated industrial policies and selective protectionism. He ([1776] 1904, I.10.57) pointed to the policy of Europe chiefly to cause inequalities by restraining the competition, such as when long term apprenticeship restrains competition to a much smaller number by increasing the expenses of education. Adam Smith ([1776] 1904, V.1.96) suggested that the European joint stock companies usually have exclusive privileges. When the law has restrained them from doing this, they have become altogether useless and insignificant for they are extremely oppressive, and imputed to their bad management. This is a remarkable character of the mercantile system or capitalism.

In Smith's viewpoints, competition was compared favorably to government grants of monopoly which usually benefited particular groups at the expense of the general public. However, Schroter (2008, p.341) pointed out that Europeans traditionally understood cooperation as one of the tools of competition, having less trust in the face value of competition. In fact, Smith attacked the mercantile system (or capitalism) severely in Book IV and Book V of his "The Wealth of Nations". Braudel (1997, pp.69-71) argued that

capitalism became truly powerful and maintained a very stable social order in Europe and Japan where ownership was considered sacrosanct.

Pomeranz (2000, p.182 and p.193) also referred that firms in Western Europe had unique advantages to compete with Asian merchants because the Europeans favored using force to create monopolies. Moreover, the colonial trading companies contributed to European growth by being well organized for armed trading and non-competitive with domestic imitators of their wares, against whom they could not use force. Hence, political and military powers are crucial to gain control of trades, rather than superior commercial organization in Europe.

On the contrary, Adam Smith often takes China as an example to describe the character of agricultural systems in natural progress. Wong (1999, p.220) pointed that a remarkable distinction is between the Braudelian commercial capitalism and the operation of Smithian dynamics of economic expansion which does not depend on the presence of a handful of powerful and wealthy merchants exerting their monopoly. In fact, European merchants played an important role for wealth and power of their government, while the imperial Chinese state did not develop the same kind of mutual dependence on rich merchants. This is why European governments incline to give the merchants monopoly privileges while Chinese officials are in favor of market economy and lightly taxed commerce.

Smith ([1776], 1904, IV. 9.46 and V.2.61) remarked that the sovereigns of China have always derived the most considerable part of their revenue from land-tax. Therefore it was natural that the sovereigns should be particularly attentive to the interests of agriculture, upon the prosperity or declension of which the yearly increase or diminution of their own revenue depended. Smith asserted that in Asia, this sort of land-tax is in the interest of the sovereign in the improvement and cultivation of land. The sovereigns of China may thus have been extremely attentive to the making and maintaining of good roads and navigable canals, in order to increase the maximum of both the quantity and value of every part of the produce of the land by procuring to every part of it the most extensive market which their own dominions could afford. However, in Europe, the tithe of the church did not reward any interest to proprietors at all, for a parish could never find his account in making a road or canal in order to extend the market for the produce of his own particular parish.

To sum up, the general evaluation of European Superiority in literature focuses on the well-organized enterprises, more rapid technological progress, and the encouragement of capitalism by regional spirit. In Adam Smith's viewpoints, well-organized enterprises are often derived from monopoly privileges granted by the government or through rent-seeking. They often gain considerable benefits at the expense of the majority of the people, and such giant companies usually lack competition ability once the privilege is removed. Smith emphasized that the improvement of labor productivity could be reached by capital accumulation and market extension. The deeper the division of labor occurs, the more rapid technology progresses. Consequently, the different progress of opulence in different nations pictures a remarkable contrast between China and Europe. Chinese development indeed meets with the natural progress to general opulence while European economic growth is biased into an unnatural and retrograde order of the mercantilism or capitalism.

Conclusion

European superiority is often represented as a good paragon of modern economy or successful capitalism. However, in Adam Smith's viewpoints, European development after the fall of the Roman Empire experienced a distorted path to opulence. Smith pointed that giant companies and multinational corporations take advantages to acquire monopoly power at the expense of the general people. Smith denounced such rent-seeking behavior in his book of *The Wealth of Nations*. He emphasized on the different system of political economy with regard to enriching the people: the agricultural system and mercantile system.

The mercantile system is based on biased growth in Europe and is detrimental in every respect, while

Chinese development meets with the natural progress to opulence. The governments endeavor to provide public goods, such as roads and canals to promote market expansion. Moreover, governments did not collude with rich merchants to seek mutual interests which are common in Europe. On the contrary, the officials make efforts to maintain a market economy which is favored to fair competition against the abuse of monopoly power. Smith emphasized that the improvement of labor productivity could be reached by capital accumulation and market extension.

As a deeper division of labor is realized, more invention or innovation is likely to occur. Moreover, as well-educated workers could improve labor productivity dramatically, the sovereigns should try their best to provide education to the youth and people of all ages. The rapid economic development of Asian four dragons is not derived from just an improvement of the inputs; with such remarkable achievements they are not paper tigers at all. Therefore, the well-organized enterprises, more rapidly technological progress, and the regional spirit which encourages the boom of capitalism are not the core characters of European superiority in Smith's viewpoints. To improve the welfare of the great majority is the ultimate concern of Smith's political economy. The mercantile system or capitalism found in European development path obviously violates the natural progress to opulence, and is not so admirable in Smith's viewpoints.

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Public policy analysis of corporate social responsibility (CSR) in Indonesia

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Abstract

Scholars in ‘corporate social responsibility’ (CSR) argue that CSR should be undertaken based on a voluntary initiative of the corporation. In contrary, there is also an argument that the voluntary approach in CSR still has ‘limitations’ – and therefore, CSR needs government interventions in terms of government regulations. This debate is still going on and there is still no consensus on how CSR should better be undertaken, whether as a voluntary approach or mandatory approach. Only few governments state the public policy to regulate the implementation of CSR by the corporation. Indonesia is one of the countries which adopt the principle that CSR should be ruled and regulated by the government. This can be seen in the Company Act 2007 that put concerns on CSR as its one focus, and later a specific government regulation regarding CSR. This paper aims to expose and discuss the analysis of public policy regarding CSR with specific focus on Indonesia. It is an empirical investigation on CSR public policy and related regulations regarding CSR in Indonesia. It applies a qualitative analysis method using the CSR Navigator as the tool of analysis. The results and findings of the study indicate that Indonesian government needs to intervene in the implementation of CSR through public policies regarding CSR considering its social, economic and political context. However, an evaluation and the development of these public policies need to be undertaken in processes, contents and implementations as it needs to create benefits for the interest of corporations, government and community.

Introduction

Nowadays ‘corporate social responsibility’ (CSR) has not only become an increasingly popular topic but it becomes an element in business and regulatory debates. In a simple way, CSR implies that companies are expected to conduct their business in a responsible way. CSR is also generally understood to be ‘doing more than what is required by law’ (Buhmann, 2006). Although in the academic discipline, CSR classically is considered as a domain in the business and management literature, recently CSR has received the attention of social, political scientists and law. The shift of research interest from management to the social and political area is based on the principle that CSR is not just an issue that relates to the corporations and their stakeholders, but is also a potential significant issue to government in welfare and in developing countries. As Buhmann pointed out, company activities which are based on the social and environmental responsibility can assist the government in addressing social and economic development needed in developing countries (Buhmann, 2006).

Even though research interest on CSR has been increased, very little is known of the concept and practice of CSR in developing countries. Most of scholars have conducted their research and published its result in the Western countries with western values as a background. Thus, Belal (2001) highlighted the need for more CSR research in the developing countries context to provide a valuable insight to Western scholars.

Indonesia, as the largest economy in Southeast Asia, has positioned itself as an important area for international trade since the 7th century. For the last three decades, its economy has been built on the basis of the theory of growth which provides unlimited opportunities to big corporations in the exploitation of economic and natural resources. It is clear that the industrial sectors are able to make contributions to the Indonesian national economic growth. In contrast, the massive exploitation of natural resources by big companies has caused environmental degradation and a destruction of social order.

The change of political order at the end of the 1990s, with the fall of the New Order Regime under President Soeharto has drastically changed such outlook. The democratization process has increased opportunities for local NGOs to criticize both domestic and foreign corporations and to contribute to addressing social and environmental issues, such as deforestation, pollution and the destruction of social communities, demanding strict rules to regulate their activities (Walhi, 2001) and influencing the policy-making process (Rosser e al, 2005). As a result, many foreign and local companies are aware of the environment and their social interest and consider that the development of CSR is very important. Such conditions have created a new relationship between businesses, the government and communities.

Moreover, the massive movement from local NGOs and the shifting relationship between businesses, the government and communities (NGOs) has encouraged the issues of CSR to become a public agenda and has been stipulated in the Article 74 of the 2007 Indonesian Law No. 40 on Limited Liability Company. Hence, the paragraph regarding CSR becomes a main topic of debate, either for the business people, the government or other social community organizations, especially when it was finally legalized by the Indonesian Parliament in 2007. Since then, CSR became mandatory in Indonesia.

This study aims to contribute to a more contextual analysis of CSR in Indonesia from the perspective of public policy. This research also aims to investigate behind the superficial surface of CSR policies in Indonesia. To achieve the research aims above, three research questions have been addressed: (1) what is the political, economic, and societal background of the country? (2) What is the state of the art in terms of CSR public policy in Indonesia? (3) What are the motives behind the national public policy?

Methods

This study employs a qualitative research method and applies various data collection methods and approaches, or in the other words, this study applies triangulation to achieve its credibility. Hence, to answer the research questions, analysis in a macro level has been applied by using CSR Navigator Tool (Bertelsmann Stiftung, 2007).

Data collection methods include: (1) undertaking in-depth interviews with 31 participants from governmental bodies, business people in the managerial levels of the companies, Director of several NGOs and people in the community; (2) conducting short observations in the site where the CSR program has been implemented; (3) documenting several data which are relevant and crucial to the topic (e.g. minutes of meeting of the Task Force Team in Indonesian Parliamentary, relevant regulations and law).

Discussion

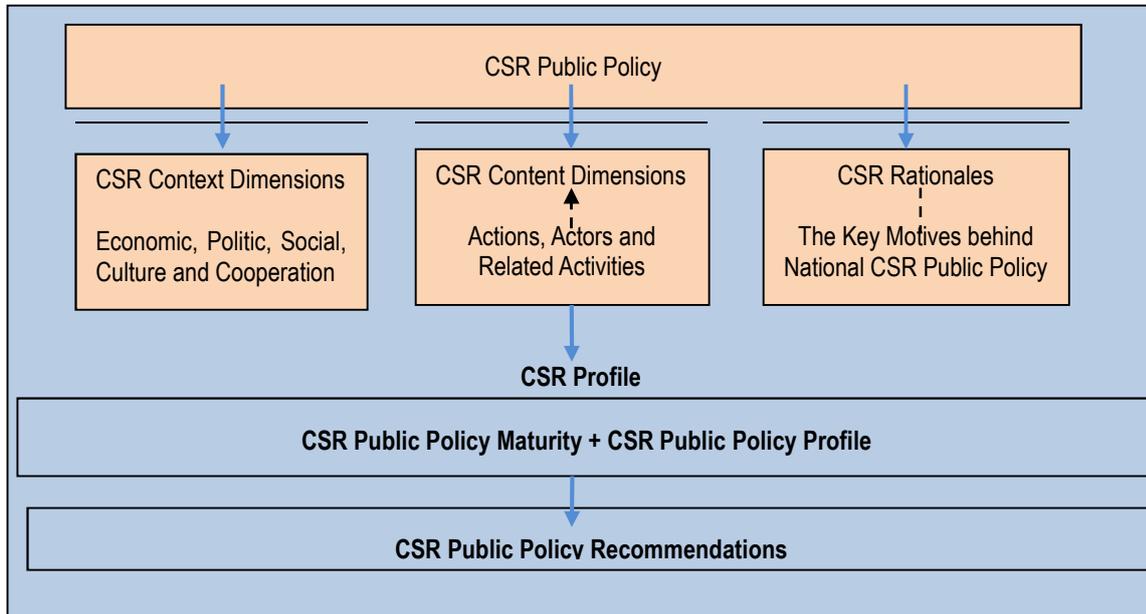
To build a bridge between research aim and research questions of the study, a framework has been developed as follows (Figure 1). The result of the analysis in the CSR context dimensions (economic, politic, social, culture and cooperation), CSR content dimensions (actions, actors and related activities) and the rationales of CSR public policy in Indonesia lead us to the research findings of this study.

Although CSR as a concept is quite new in Indonesia, CSR activities (even in a different name/term) have been implemented by local companies (mainly State-Owned Companies) since a long time ago before CSR as a concept became a popular topic. This study argues that the CSR concept derived from Western Countries with its western values is contextually related. Consequently, CSR implementation should consider its contextual dimensions: the economic, politic and social dimensions of the country.

The relationships between government and society, government and business sector and between business and society have changed after the fall of Suharto regime in 1998. This change has increased the social movement led by a diverse range of local NGOs and other social organizations concerned with unequal economic development, environmental degradation and moreover, social unrest. In the early phase

of this era, the relationship between government and civil society is therefore characterized by conflict and tension, rather than by cooperation. These conflicts have risen since according to facts, the social and natural hazards have increased.

Figure 1: Framework to analysis CSR Public Policy



The development of CSR public policy making in Indonesia significantly depends on the dynamic state of Indonesia’s economy, politics and social movement. Some of the NGOs active in advocating people put pressure on the companies and do dialogues with the government and have caused the larger companies to leave the old paradigm that the main objective of the companies is only to generate the maximum profit. Companies should also give their contributions to the societies and assign the societies as part of the stakeholders which can influence and be influenced by the companies. The change of this paradigm has significantly changed companies’ internal policies which enhance its social investment rather than doing reconciliation if there were conflicts against the societies. Those conditions (social disparity, bad environmental conditions throughout Indonesia and pressures by various elements of the society) have caused Indonesian Central Government to make efforts in regulating the CSR that should have been undertaken by companies founded on Indonesian Company Law. In other words, it has become clear that Indonesia has adopted a mandatory approach as their public policy instrument.

After passing a complicated and long process, CSR regulation is finally incorporated as a paragraph in the Article 74 of 2007 Indonesian Law No 40 on Limited Liability Company. The main content of the Article states that CSR is the obligatory activities of the companies. This law has clearly signaled that Indonesian government views CSR as mandatory for every company.

The change of the business paradigm which states that business should not be always profit-oriented is actually relevant to Indonesian Constitution Act, especially in the part of Indonesian economic system. Since then, the issue of CSR legislation in Indonesia has become debatable between Government, business people and the civil society, represented by NGOs. These debates may increase since the Government Regulation required by Article 74, as guidance for its implementation, has not been yet issued after a vacuum for more than five years.

This study suggest that the Indonesian Government has adopted the mandatory approach as its public policy instrument in accordance with the current Indonesian conditions, the legislation process and the public

policy that were created along with the process of The Company Law Act no 40, 2007

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Corporate social responsibility (CSR) of social enterprises in South Korea

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Abstract

This developing study explores how and to what extent ‘social enterprise’ (SE) is/is not socially responsible in the case of South Korea (the Republic of Korea). In recent years, there have been ever-growing concerns regarding social enterprise in Asia including South Korea. However, there has been very little scholarship that questions the genuine corporate social responsibility (CSR) of SEs. Whilst positive arguments on SE are predominant, we witness that, due to high emphasis on addressing external social and economic concerns, an authentic relationship between social enterprise and CSR is questionable and not critically discussed. In this study, we especially explore the 21 failure cases of SE in South Korea and suggest the way of sustainable development of SE. We also argue how CSR issues may be truly integrated into SE’s business performance which is, we believe, a timely and imperative discussion. By investigating the case of South Korea, we suggest a new frame for SE in Asia which differs from the West, with implications to researchers, policymakers and business practitioners around the globe.

Introduction

In recent years, there have been ever-growing concerns regarding social enterprise (SE) in Asia. This paper examines how and to what extent SE is/is not socially responsible. We would like to explore this conspicuously absent issue from the contemporary management discussion in South Korea. The intellectual seeds of the growing research were sown in the acknowledgement of a big gap between the rhetoric of SE which is mainly discussed from the spectrum of external/societal activities (Cornelius et al., 2008), and the actual practices in place which trouble the SE’s identity and sustainability.

There has been very little scholarship that questions the genuine CSR in SEs. For example, how do they treat employees or environment in a responsible way? Or do their management system is accountable? Since SE’s purpose and mission is usually linked to CSR perception, many people think the CSR of SE exists with no doubt and is unquestionable.

Social Enterprise (SE), commonly mentioned in the UK and other developed nations (mainly English-speaking countries), is manifests in multiple forms: non-for-profit, for-profit and hybrid (cross) sectors (Marshall, 2010; Tracey et al., 2005). SE offers alternative mechanisms for businesses to perform CSR beyond philanthropic donations, by generation of an income (Tracey et al., 2005). In relation to international business, SE is favored, in particular, by MNCs as one of the most effective mechanisms for local capacity building and social investment strategy (Nwankwo et al., 2006).

Whilst such positive arguments on SE are predominant, we realize that due to high emphasis upon addressing external social and economic concerns, the genuine relationship of social enterprise with CSR is questionable and not critically discussed. To reiterate, the question on whether SE is socially responsible and creates socially shared value (Porter and Kramer, 2011) is curiously ignored. We explore it with the experience of Korea.

However, we raise the issues on SE’s responsibility; in Korea, the concept of social enterprise is new. Nevertheless, during the last 5 years, the emergence of this new form of business is rather dramatic. The main reason is the tremendous support from the Korean government which regards SE as a new way of job creation. The number of SE which obtains official accreditation by the government grew from 55 in 2007 to 644 as of January 2012 (Ministry of Employment and Labor of Korea, 2012).

This substantial growth of quantity suffers from two weaknesses in relation to quality. First is the

sustainability of SE; due to SE's high dependence on governmental support, people worry over self-sustainability once governmental support stagnates. The capital market for SE's financial independence in Korea is not yet sufficiently developed (Yang, 2011). It is unlike Western-style SE which is traditionally initiated and operated by a variety of society members such as NGO, NPO, community and co-op.

Second is the issue of responsibility; since the government supports SE mainly in relation to job creation, for financial and economic reasons, SE's may be weak on broad social issues and missions. There is a tendency of considering SE as only a niche market; so people are beginning to question the true identity and ethical values of SE.

In this article, we suggest that for the genuine development of SE, it is timely and imperative to see how CSR issues are truly integrated into SE's business performance. By investigating the case of South Korea, we suggest a new frame of SE in Asia which differs from the West and has implications to researchers, policymakers and business practitioners around the globe.

Methodology

It is worth noting that our choice of the South Korean case grew out of the knowledge and experiences of authors. They carry out various academic and practical researches on CSR in Asia, especially in South Korea. As a pioneer of SE in South Korea, one of the authors has actively led the SE's settlement in South Korea since its inception period from policy making to training of Korean businessmen and public.

The primary data are the '*cases of failure of SEs in Korea*'; owing to unethical performance such as accounting fraud and corrupted supply and demand, their rights to be SE is forcefully annulled by the government. The voluminous data of SE's failure are revealed for the study. The other critical data come from '*focused group interviews*'. By having in-depth interviews with social entrepreneurs, we reveal the conflict between perception and behavior of SE and more importantly, the reasons of the gap (e.g., education, environment, culture and social service). Other secondary data obtained from the authors' professional experience and research supports the empirical data analysis.

In summary, given authors' extensive knowledge and experience, and rich data, this paper can crucially explore the problem of SE and provide necessary and timely new directions which genuinely concern social enterprises' responsibility and sustainability.

Discussion

In the case of Korea, we witness that political pressure is one of the main causes for SE's emergence. In other words, the interest of the government in 'job creation' after IMF financial crisis pushed SE into the main national agenda (Hyundai Research Institute, 2011; Kim, 2008). Government has made the Law for the promotion of SE and offers certification to SEs since 2007.

On the surface, SE meets the government's intention. For instance, SE has created from 2,539 new jobs in 2007 to 13,535 in 2010 (Korean Social Enterprise Promotion Agency, 2011). The number of SE has reached to 644 in 2012 from just a few. Korean media tends to offer a lot of praise with little criticism on SE. Despite concerns on economic sustainability, there are few commentaries on CSR of SE. Chaebols also actively participate in supporting SE associated with their social contribution programs mainly so that it can live up to strong governmental policies.

Now, with the complex case of South Korea, we raise the issue of SE's ignorance of a true identity in relation to CSR. Based on the research gap, we prepare three specific questions as below:

- RQ 1: Why is the institutional (e.g., political, cultural and normative) situation of the nation critical for social enterprise?

- RQ 2: How can/cannot SE meet the requirements of CSR?
- RQ 3: Can CSR follow a sustainable business model in Asia?

Conclusion

In our view, two contributions emerge. First, we examine the unique situation and notion of SE in the South Korean context with complex real-life examples of failure – which is different from the West (e.g., political pressure for job creation, corrupt financial operation, and the influence of Confucianism and Taoism). It would provide Western MNCs with important implications for their business in Asia when they use CSR or SE as a way of international strategy.

Second, we warn that the boom of SE may dangerously focus on quantitative expansion, but not on its accountability and sustainability. We discuss that although there is an emerging stream of SE in the Korean society, there are crucial limit of CSR considering their perception and behavior. Our findings thus would provide guidance to policy/management strategies for the reform and future survival of SE.

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On the religious conversion theory and individual religious change in the age of globalization

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Abstract

Under the current dynamics of globalization, religious landscapes experience new configurations in societies, as religions find new locations beyond their traditional enclaves and as more individuals in the receiving societies turn to new religious options. Thus, Asian religions like Buddhism and Hinduism gain followers in the West, while significant conversions to Evangelical Christianity are occurring in new places like Latin America, Africa, China, India and Nepal. Although religious conversion received considerable attention in the sociology of religion since the 1960s and 1970s, it was approached rather as affiliation to 'deviant cults' in the limited frame of (Western) national societies. Consequently, classical conversion theory tends to overlook the role of global flows in individual religious change. On the other hand, globalization theory addresses the formation and effects of new religious configurations, but it focuses more on diasporic religion, failing to pay attention to individual conversions that are not necessarily linked to migration. This presentation introduces an integration of religious conversion theory and the globalization perspective, as a theoretical proposal that the author is currently elaborating to account for individual religious change in a global society. As a recent contribution to religious conversion studies, Gooren (2010)'s conversion careers paradigm will be integrated into Robertson (1992)'s globalization model. This theoretical integration will allow explaining the specific relations between the individual and the global religious organization. Furthermore, it will situate Gooren's multiple factors influencing individual conversions in the diversity of interactions of the global field. In so doing, this proposal takes conversion theory beyond the classical focus on national societies, as an approach that is relevant for the age of globalization.

Introduction

In the present context of globalization, religious landscapes experience new configurations in societies, as religions find new locations beyond their traditional enclaves and as more individuals in the receiving societies turn to new religious options. Thus, Asian religions like Buddhism and Hinduism gain followers in Europe, the US, Canada, Australia and Latin America. Conversions to Islam take place in sub-Saharan Africa and to some extent in the West. Significant conversions to Evangelical Christianity are occurring in new places like Latin America, Africa, China, India and Nepal.

In the US some people turn to Orthodox Judaism, while some Ethiopian Jews who migrated to Israel are joining (Christian-derived) Messianic congregations. Eastern Orthodox Christianity is also attracting adherents among Western Europeans and North Americans. Likewise, initiations to Afro-Caribbean religions like Cuban *Santería* are increasingly undertaken by Europeans, North Americans and individuals from Latin American countries where these religions were not known until very recently.

How can we explain conversion to new religious options under the dynamics of globalization? This presentation introduces an integration of religious conversion theory and globalization perspective, as a theoretical proposal that the author is currently elaborating to account for individual religious change in global society.

Methodology

The presentation consists basically of a theoretical proposal. As such, the two theories that the author intends

to integrate—namely, Gooren (2010)’s religious conversion careers and cultural globalization theory—will be introduced. To illustrate the theoretical integration, empirical examples from extant studies will be included, as well as some data from the author’s current doctoral research on Soka Gakkai International (SGI).

Discussion

Although religious conversion received considerable attention in the sociology of religion since the 1960s and 1970s, it was approached rather as affiliation to ‘deviant cults’ in the limited frame of (Western) national societies. Consequently, classical conversion theory tends to overlook the role of global flows in individual religious change.

One step forward toward understanding the issue in the context of globalization is made by Gooren (2010) in his recent conversion careers approach. Gooren elaborates an adaptation of the religious economies paradigm (Stark & Finke, 2000), pointing out that the notion of ‘market’ should be enlarged beyond the limits of national societies to consider the global order. Instead of the demand-supply divide, the conversion careers model posits the distinction of three levels of activity involved in individual religious conversion: micro, meso and macro levels. In addition, Gooren provides a systematization of the diverse factors that influence individual religious change, among which he mentions the ‘globalization factor’. Yet, Gooren fails to link this factor with the literature on globalization.

Globalization theory effectively addresses the formation and effects of new religious configurations. However, it focuses more on diasporic religion, failing to pay attention to individual conversions that are not necessarily linked to migration. Here may lie the potential contribution of conversion studies to the investigation of religion in global society, provided that this body of literature is brought into the globalization perspective. More specifically, Gooren (2010)’s conversion approach may be integrated into Robertson (1992)’s model of the global field and Warburg (2005)’s further development of the “dual global field”. Although Warburg (2005) attempted to include religious conversion into a study of the Baha’is from the globalization perspective, her research did not benefit from Gooren’s recent contribution.

In the theoretical integration proposed in this presentation, the individual component in globalization theory may be systematically linked to other components of the dual global field like the religious organization, the national society and humankind, through the three levels systematized by Gooren (micro, meso and macro). Thus, taking the case of Soka Gakkai, conversions to this Japan-based global Buddhist movement can be explained by the structural relations among the international headquarters of SGI with national societies, the local branches of this religion, the local members and the converting individuals, the world following of SGI members and humanity. In so doing, this proposal takes conversion theory beyond the classical focus on national societies, as an approach that is relevant for the age of globalization.

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Child labor and education in developing countries: the current situation and ways of support

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Abstract

The International Labor Organization (ILO)'s global report on child labor found that 215 million children across the world are still trapped in child labor with 115 million in its worst forms. It was just 3% lower than the 2004 level (ILO, 2010). The number of child labor in Asia Pacific is the highest in the world. Children are important actors for the world future therefore we should consider children's problems now. Child labor is a problem that we should be concerned about. Children have the right to education and to play without having to work; however there are many children whose rights are threatened. Not only child labor but also children engaged in domestic work have difficulty in going to school and play. Poverty is the one of the causes of child labor but there are many other reasons why children work. Some children combine work and education. There are mainly four different solutions for the child labor issue. Poverty reduction is one of the important solutions. To do poverty reduction, education is an important issue. To give education there are incentive approaches which some organization like WFP are doing. The other organization ILO is working to eliminate child labor by laws and regulation. Finding the best practice for the child labor issue suiting their situation will be the conclusion of this work.

Introduction

In 1989, the United Nations General Assembly adopted the Convention on the Rights of the Child. This landmark treaty spells out the rights of all children to health (Article 24), to education (Article 28), to an adequate standard of living (Article 27), to leisure and play (Article 31) and many more (UNICEF). All children have these rights. However there are children whose rights are threatened.

The ILO's most recent Global Report on child labor found that 215 million children across the world are still trapped in child labor with 115 million in its worst forms. It was just 3% lower than the 2004 level (ILO, 2010). The number of child labor in Asia and the Pacific is the highest in the world.

Children are the most vulnerable human beings yet also the hope for humanity's future (Okusa, 2008). To improve humanity's future people need to solve problems of the children right now. One of the problems is the child labor problem. Usually child labor is considered harmful with negative impacts on the physical as well as mental development of children (Munthali 2003).

The issue of child labor is very complicated and difficult to solve. Simply releasing children from work cannot fully solve this problem since there are many factors involved in child labor issues, the most compelling being the economic difficulties of families, cultural acceptance of child labor, and inappropriate and ineffective education systems. A more holistic approach ranging from poverty reduction strategies, substantive and useful education, effective law and policy implementation, and negative sanctions on social acceptance are essential to tackle this problem (Okusa, 2008).

Methodology

According to Todaro and Smith there are four different approaches to solving the child labor issue. The first approach is poverty reduction; the second approach is incentive approach; the third approach is educational approach; and the fourth approach is banning by law (Todaro and Smith 2006). These four approaches have positive and negative points. Therefore it will be interesting to find which approach is suitable for the recent

trends of child labor. To find the best approach it is necessary to know about the recent trends of child labor in developing countries; therefore I have gathered information from previous research papers.

Discussion

Resent trends of child labor issue: At country level, the number of child labor is high; children's education level is low. Compared to rural children and urban children, urban children are more likely to have education. Child labor is seen with a combination of education and work in some way. Women's education is the key strategy to future children's education because educated mothers can more easily send their children to school. Poverty is one of the causes of child labor issue but there are other reasons too. Education is a key issue for poverty reduction.

Four different approaches: Poverty reduction initiatives are mainly done by the World Bank. Poverty is one of the biggest causes of child labor issue so it is important to solve. However it takes a long time so although it should be done but other approaches should be done too.

The incentive approach is giving some incentive to parents who send children to school like some food or medical care so these parents send their children to school rather than work. This approach has been followed by mainly WFP. It is necessary to change parents' opinion that children should work; children have their own right to study and play therefore parents should send children to school rather than work.

The educational approach is mainly followed by UNICEF and even children who work can have education during their free time. This approach is working well because children combine work and education nowadays. This approach is a realistic approach; however children's burden becomes high.

Banning by law is an important action by ILO; however children may still need to work and the employers will employ children and this problem becomes a hidden issue. Once it becomes hidden, it is more difficult to solve.

Each approach has positive points and negative points. Therefore we should combine these approaches to solve the child labor issue. Poverty reduction is a key issue of the problem but it takes time to do and banning by law is a good action but not the realistic approach. For the real situation it is necessary to give incentives to parents to send their children to school and also for children to combine work and education with fewer burdens.

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National innovation system of Ghana, lessons drawn from Malaysia

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Abstract

The National Innovation System (NIS) has become the framework for better understanding the differences in the degree of innovations in countries and why some countries have failed to catch up. Ghana and Malaysia were at roughly the same level of low economic development in the 1950's and 1960's, but today, Malaysia is much more competitive in terms of the intensity of innovations and economic development. This paper attempts to analyze the available data on the structure and capabilities of the NIS of Ghana and Malaysia in creating, diffusion and utilization of innovations as a way to explain the reasons of superiority that Malaysia has over Ghana and to draw lessons that could be used to improve upon the problems in the NIS of Ghana. A series of linear regression models were developed and applied on a set of indicators measuring innovative capability, absorptive capacity, diffusion capability and openness using annual time series covering a 21-year period, from 1990 to 2010. The results indicated that the NIS of Ghana has some capabilities to create and utilize innovations but lacks the capability to diffuse innovations. NIS of Malaysia is demonstrating stronger capabilities in comparison. Assessing the differences and the reasons behind the differences led to drawing some lessons for Ghana.

Introduction

The National Innovation System (NIS) (Lundvall, 1985) has become the framework for better understanding the differences in the degree of innovations in countries and why some countries have failed to catch up (OECD, 1996; Porter and Stern, 2010). Answers to such questions could support policy-making on innovations and economic growth in developing countries (Bartels et al., 2012).

Ghana and Malaysia were at roughly the same level of low economic development at the time of gaining independence from the British. Malaysia is now being classified as an upper middle income country while Ghana is still a lower middle income country (World Bank, 2012). In addition, the historical path of Malaysia, through institutional and structural changes in the 1960's to 2000's (Behrooz & Yuan, 2007; Yusof, 2010), also indicates that Malaysia's current competitiveness can be attributed to the impressive performance of its national system of innovation.

The Science, Technology and Innovation Policy Review (STIPR) of Ghana (2011) states that Ghana's capacity to create, diffuse and absorb innovation is limited in comparison to upper middle and middle-income countries such as Malaysia and South Africa. Ghana's Vision 2020, the country's long-term framework, lays emphasis on the role of local entrepreneurship and technological development in the attainment of sustainable development for the country. Ghana's discovery of oil has also motivated the government to renew its commitment to harness science, technology and innovation (STI) by drawing up a new national STI Policy launched in March 2010 under the leadership of the Ministry of Environment, Science and Technology (MEXT). However, the policies implemented and statements made by high ranking politicians in this regard have often not been backed up by specific actions, thus the problems still remain (STIPR, 2011).

Empirical works that have attempted to explain the technological gaps among nations have always focused on broad cross-country samples (Castellacci & Natera, 2013) but have mostly ignored the question of "why growth rates differ" among two countries that otherwise shared roughly similar circumstances in the past. The work of Furman et al. (2002), Furman & Hayes (2004), Fagerberg & Srholec (2007) and Castellacci & Natera (2013) demonstrate a conceptual framework and model used in many empirical analyses. Asare & Wong, 2004; Khan, 2009; Yusof, 2010 have conducted comparative studies between

Ghana and Malaysia that mostly discuss differences in the political history, governance, and political systems of Ghana and Malaysia on the one hand and poor human development, lack of a diversified economy and a domestic entrepreneurial group in Ghana and the negative impact of the West African regional economy on Ghana as the main explanations for the divergence between the two nations.

Methodology

To fill the gap in answering the main questions raised, this study attempts to analyze the available data on the structure and capabilities of the NIS of Ghana and Malaysia to create, diffuse and utilize innovations in order to explain the reasons of superiority of Malaysia over Ghana and to draw lessons that could be used to improve upon the problems in the NIS of Ghana.

The model utilized is a series of linear regressions with indicators measuring innovative capability, absorptive capacity, diffusion capability and openness using SPSS. The Secondary data used were annual time series covering a 21-year period, from 1990 to 2010.

The results of application of these models to the data indicated that the NIS of Ghana has some capabilities to create and utilize innovations but lacks the capability to diffuse innovations. NIS of Malaysia is demonstrating stronger capabilities. By carefully assessing the differences and the reasons behind them, some lessons have been drawn.

Discussion

The results of regression models for Ghana indicated that 'scientific output' and 'human capital' significantly and positively impact on its economic development. On the other hand, 'innovation inputs', 'scientific outputs', 'human capital', 'openness' and 'infrastructure' significantly and positively impact on the economic development of Malaysia. Both secondary and tertiary enrollment ratio significantly impacted on economic development of Ghana, while only tertiary enrolment was significant for Malaysia. The possible explanation is due to differences in the stages of economic development and the nature of economy of the countries. Ghana is still an agriculture based economy in the process of transforming to an industrial one, therefore the country requires more skilled (by secondary education) and knowledge labor (by universities) in order to make this happen. Ghana therefore needs to re-enforce its commitments to expanding and improving upon educational institutions.

On the other hand, in Malaysia, skilled labor has reached its critical mass but knowledge workers are still very critical to its growth, thus the current composition of secondary enrollment ratio of Malaysia was insignificant to its economic development. While both countries must expand higher education opportunities, Ghana needs to do much more in the area of secondary enrollment. Contributions of infrastructure of Malaysia on its national innovation system are very remarkable as both the number of kilowatt electricity consumed per capita and numbers of telephone users per 100 people were significant to its growth. Malaysia has made large investment into infrastructure in the areas of telecommunication, transport and energy to match up with its industrialization, OECD (2013).

On the other hand, Ghana's infrastructure was revealed to be rather detrimental to its growth. The variable representing the energy infrastructure of Ghana recorded a significantly negative coefficient (-0.24). The possible explanation is that electricity production in Ghana is mainly based on insufficient hydropower generation against the demand of the continuously rising population, thus resulting in periodic power blackouts that leave economic activities in the country in despair. Furthermore, the situation has forced the country to rely on expensive oil-based power generation and since there is no mechanism for automatic tariff adjustments, the situation generates annual financial losses for the Government (Africa Infrastructure Country Diagnostic, AICD, 2010).

Conclusion

In both countries ‘human capital’ and ‘scientific output’ have positive impacts on their NIS’s, but the percentage of impact was higher for Malaysia since the numbers and quality of ‘human capital’ and ‘scientific outputs’ produced by Malaysia was higher. On the other hand, the main possible explanation for the divergence between the two countries relates to the intensity of diffusion of innovations, i.e. the role played by the infrastructure of both countries.

The bottom line is that the NIS of Malaysia has the capability to diffuse innovations while that of Ghana has limited capability to diffuse innovations. Therefore, for Ghana to catch up with the likes of Malaysia, it must also start focusing on the role of technology and knowledge in its economy by investing heavily into knowledge and technology creation activities, specifically in the areas of human capital developments, research and infrastructure.

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Household livelihood change and community capacity development under government operated micro credits in rural Bangladesh

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Abstract

Micro credit is a widely used development tool in Bangladesh. Both the government and private sector operate micro credits with remarkable impacts on household and the community. This paper attempts to explore the changes brought by the government operated micro credits to a specific case of household livelihood change and community capacity development in rural Bangladesh. Group and individual case studies have been conducted by applying qualitative methods at household level and society level. The focus of this study is the appreciative inquiry to understand how the mentioned micro credit works positively at the beneficiary and community level under existing policy frameworks. Microcredit has its effect on socio-economic development of households that respond positively to community capacity development. It is important to ensure a planned and proper utilization of the credit money and also effective coordination and monitoring at operation level.

Introduction

Micro credit is a widely used development tool especially in rural areas of Bangladesh. Along with the huge number of 'non-governmental organizations' (NGO) such as Nobel Peace Prize winning Grameen Bank, different government agencies operate micro credit schemes for poverty alleviation and rural development. According to the micro credit policy of Bangladesh, collateral free money given to the poor and unemployed people for their self-employment is treated as micro credit (Rural Development and Cooperative Division, 2003). The primary objective of micro credit is to generate income through small scale initiatives by the rural people to improve their socio-economic condition.

This paper focuses on the changes and process of change to household livelihood and community capacity development in rural Bangladesh through the micro credit operated by the Government of Bangladesh (GoB). Household is one of the basic units of community. So the development of household has deep relations with community capacity. Community capacity is a basic element that enables a community to function and refers to the ability to achieve the community's shared goal as well as to promote and maintain the richness of the community through the collective efforts of individuals and organizations within a community, utilizing the available resources (Miyoshi & Stenning, 2012).

Due to increasing focus on micro credit as a development tool especially in rural areas, several studies have been conducted on the micro credit and its impact. Literature shows that micro credits have an impact on income poverty, social empowerment, rural community development and so on. As Khandker mentioned, "Microfinance continues to reduce poverty among poor borrowers and within the local economy, albeit at a lower rate" (Khandker, 2005).

Besides the effect on income poverty and the contribution to local economy, micro credits have a significant impact on other issues. "The Microfinance revolution has not only provided Microfinance but it has created a sense of empowerment particularly among poor women" (Devajaran, 2006). Also some have viewed that it has not had such a significant impact but rather it bounded the beneficiaries in a vicious circle of credit. Some scholars like Dean Karlan think that micro credit is not the ultimate solution for poverty reduction. "Microcredit generated benefits isn't the panacea that it has been purported to be. It is certainly not the single answer that is going to transform people's life" (Karlan, 2009).

As the flows of income are inconsistent, rural people tend to utilize micro credits directly for

consumption. If they can't utilize the credit for any earning purpose it may create new burdens for them. So, credit has its risk also. Yet there are a huge number of success stories of micro credit. Micro credits could inspire the clients to discover their potentials and utilize them in a productive way. Usually micro credits are operated through a group mechanism which might have a significant role in its development course.

The study was conducted in the rural areas of Bangladesh. Since within the government sector Bangladesh Rural Development Board (BRDB) is one of the old and of the largest micro credit operators (Bangladesh Bureau of Statistics, 2010), the group and individual beneficiary of BRDB micro credit program in Barisal district of Bangladesh have been taken as the research case.

Methodology

It is a qualitative research focusing on the successful cases (appreciative inquiry approach) of micro credit operation under Bangladesh Rural Development Board (BRDB). Along with a review of existing literature and policy papers of Bangladesh related to micro credit, field research was conducted applying different qualitative methods.

As BRDB operates micro credit to individual under a group mechanism, the total official system of micro credit operation by BRDB was observed. Beneficiary level data was collected through individual group case studies. Good cases were selected based on functionaries' recommendation and records.

Data was collected through focus group discussion, storytelling facilitation, physical observation and also through direct and indirect interview with relevant stakeholders. Primary stakeholder analysis was done before the study. Facilitation of storytelling was through listening to the story of development of the beneficiaries and their cooperative society from their own voice without interruption. A predesigned guideline was used for facilitation to avoid deviation from the research track, of course not to guide them to the researcher's view. Besides, there was continuous interaction with the implementing functionaries.

Discussion

BRDB operates micro credits to individuals under a group mechanism. The process starts from member selection, motivation and society formation. Along with the credit operation, it contains some other components, such as weekly meetings, savings scheme, linkage with service providers, etc. All these processes enable the poor beneficiaries to develop confidence, dream for better future and also to think positively.

The observed cases had remarkable positive changes both at household level and society level. The household cases had tremendous development in terms of income, assets, happiness within family and social status. Significant development has been observed in their awareness level. Everyone is now aware about their right and responsibilities as a citizen. Starting from a very poor condition the case household is now a successful small entrepreneur which has created local employment opportunities.

Starting from zero the case cooperative society has now got a significant amount of share and savings along with the regular payment of credit installments. The members of this society are now well coordinated. They can solve their internal problems using the society platform; they negotiate with service providing sectors, marketing channels and other stakeholders as an entity. One member of this society achieved the 'National Gold Medal of Best Cooperatives, 2010'. This society plays a role in community development activities, such as response to community needs, prevention of early marriage, dowry, drug, etc. This society works with local government bodies for community development. It is also the mental relief point for the members.

According to them, among others, the planned use of micro credits, proper monitoring and support from

the credit providing organization, internal coordination among the members and above all their commitment and hard work for development helped them to be successful.

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Mobile technology and financial inclusion: the role of mobile money in leveraging rural households in Uganda

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Abstract

Mobile money service in Uganda has expanded rapidly following the massive roll-out of mobile phone network coverage and adoption of mobile phones over the recent years. In just four years since its inception, the number of active subscribers has reached as many as nine million users. We investigated the impact of this financial innovation on household welfare, using household survey panel data from rural Uganda. Results from our preferred specification reveal that adopting mobile money services increases household per capita consumption significantly, by about 86%. The mechanism of this impact is the facilitation of remittances; user households are more likely to receive remittances, to receive remittances more frequently and the total value received to be significantly higher than that of non-user households. Our results are robust to a number of robustness checks.

Introduction

Financial inclusion plays an integral role in reducing rural poverty as it facilitates saving and borrowing as well as empowers the poor to smooth consumption and insure themselves against a number of vulnerabilities in their lives (World Bank, 2012). Financial inclusion is synonymous to financial access. Access and inclusion can be used to refer to a situation where an individual has access to the services of a formal financial institution like a commercial bank, micro-finance institutions and insurance companies. Financial exclusion refers to the involuntary lack of access to formal financial services. However, a large fraction of the population in developing countries lacks access to the basic financial services (Asli and Klapper, 2012). Lack of access to basic financial services restricts the ability of the rural poor to make savings and investments and engage in both formal and informal insurance mechanisms aimed at smoothing consumption and curbing poverty (Dupas and Robinson, 2008).

The prevailing low rate of financial inclusion has attracted the attention of scholars to investigate its driving factors (Asli and Klapper, 2012; Kumar, 2006; Collins et al., 2009; Susan and Zarazua, 2011). Among the commonly cited limiting factors is the relative concentration of formal financial institutions in urban centers with limited penetration among rural communities. This urban concentration poses high monetary and opportunity costs for accessing and using financial services, especially by the rural poor in remote locations. In their analysis of financial access and exclusion in Kenya and Uganda, Susan and Zarazua (2011) re-defined financial inclusion to include semi-formal and informal financial services like Rotating Savings and Credit Associations (ROSCA) and Savings and Credit Cooperative Organizations (SACCO). They found that exclusion is associated with agro-ecological and socio-cultural characteristics of the region, rather than the mere urban-rural status.

Mobile banking, a recent innovation in the financial sector, is expected to bridge the financial service access gap, thus allowing for socio-economic improvements especially among the financially excluded rural communities in many developing countries. Mobile banking allows users to make purchases, deposits and transfers of funds using their mobile phone. This provides a relatively cheap and convenient means through which family members and friends exchange financial assistance in the form of remittances especially in remote areas with limited or no access to formal financial institutions like banks.

Empirical studies have illustrated the developmental role of mobile banking (Mbiti and Weil, 2011). One popular impact is the change in the pattern of remittances, as noted in Mbiti and Weil, 2011. The relative

inexpensiveness and convenience of mobile banking can potentially facilitate the implementation of welfare programs (Aker et al., 2011).

Jack and Suri (2011) provided evidence that access to mobile money services facilitates risk sharing by significantly reducing the transaction costs of remittances among family members and friends in Kenya. They found that households which subscribe to M-PESA, Kenya's most popular mobile money service, were able to cushion themselves against consumption volatilities when struck by income shocks, by receiving remittances from a wide pool of members in their social networks.

Despite the relative importance of mobile banking in the lives of the rural poor, less is known about its impact on their welfare. Specifically, there is scanty empirical evidence on how financial access affects the lives of the rural poor in developing countries. To the best of our knowledge, there is no empirical study that analyses the socio-economic impact of mobile banking in the Ugandan context, most of the recent works are based on the Kenyan experience (Mbiti and Weil, 2011; Jack and Suri, 2011). Besides, the analysis samples of these studies are inclusive of the urban mobile money users with less focus on the rural communities which tend to be more financially excluded. Following the rapid adoption of mobile money services in Uganda, there is a need to assess whether there are any direct welfare improvements that accrue to its users. Moreover, recent studies on mobile money in Uganda are centered on analyzing adoption and use patterns (Susan and Zarazua, 2011; Ndiwalana, 2010) while other studies rely on anecdotal evidence.

Methodology

This paper seeks to fill the literature gap by investigating the impact of mobile money access on the welfare of rural households in Uganda. Here we use household per capita consumption as a proxy for household welfare. This study is unique in a way that it targets particularly households in rural locations which often tend to have less access to formal banking services coupled with relatively high poverty rates.

We use a two-year panel of 907 households from 94 local councils in Uganda, collected in 2009 and 2012. A local council is the second smallest unit of administration in Uganda after the family. In less than four years since its inception in March 2009, the number of active mobile money subscribers has expanded to over nine million users (.Bank of Uganda estimate as of December 2012). This is expected to facilitate inter-household transfer of funds especially in the event of unexpected income shocks. The number of LC1s with at least one mobile money booth increased from 26 to 90 out of 94 LC1s in our sample between the two survey rounds. At the same time, household adoption of mobile money services expanded from less than 2% to 38%.

We used data from household and community surveys collected in Uganda in 2009 and 2012 as a part of the Research on Poverty, Environment and Agricultural Technology (RePEAT) project. This is a part of the four survey rounds administered jointly by Makerere University, the Foundation for Studies on International Development (FASID) and the National Graduate Institute for Policy Studies (GRIPS) in 2003, 2005, 2009 and 2012. In the baseline survey of 2003, 94 LC1s were sampled and 10 households were randomly selected from each of the LC1s, making a total of 940 households.

Findings

We estimate three major equations; (i) the determinants of mobile money adoption at the household level, (ii) the effect of mobile money adoption on household per capita consumption and (iii) the impact of mobile money use on measures of household remittances.

Determinants of mobile money adoption: Since the outcome variable we want to estimate in this section is a binary variable, we estimate the probability of adopting mobile money services as a latent variable model.

The decision to adopt mobile money services cannot be observed but depends on observed characteristics of the household and village in the form

$$Mmoney_{ijt}^* = \lambda + \beta X_{ijt} + \eta_{jt} + \varepsilon_{ijt} \quad (1)$$

where $Mmoney_{ijt}^*$ is a latent variable that captures the decision to adopt mobile money services by household I in village j at time period t ; η_{jt} captures location and time effects and X_{ijt} is a vector of household characteristics which include household size, log of asset and land endowments, age, gender and education level of the household head and a dummy for household mobile phone possession. Our variable of interest, $Mmoney$, is then observed only if the latent variable is positive. Specifically,

$$Mmoney = \begin{cases} 1 & \text{if } Mmoney^* > 0 \\ 0 & \text{otherwise} \end{cases} \quad (2)$$

We also estimate mobile money adoption using a more robust fixed effects estimation to rule out the effect of unobservable time-invariant household and village characteristics that might influence the decision of the household to adopt mobile money services. As we shall show in the results section, the change of estimation method does not qualitatively change our results.

Mobile money and household per capita consumption:

We first examine the effect of mobile money adoption on household welfare using a simple difference-in-differences strategy that compares the monthly per capita consumption of mobile money users against that of non-users.

$$c_{ijt} = \gamma + \alpha_i + \mu Mmoney_{ijt} + \psi X_{ijt} + \eta_{jt} + \varepsilon_{ijt} \quad (3)$$

where c_{ijt} is the monthly per capita consumption of household i in village j in period t , α_i is a household fixed effect, $Mmoney_{ijt}$ is a dummy variable equal to one if there is at least one mobile money subscriber in the household. We use household per capita consumption as a proxy for household welfare. As an alternative, we could use total household income as it is also directly linked to the ability of a household to improve the wellbeing of its members. However, this measure is more vulnerable to short-term economic effects compared to the consumption measure (Gilligan and Hoddinott, 2009).

To assess whether remittance patterns differ across users and non-users of mobile money, we estimate the following equation, which is a slight modification of equation (3).

$$r_{ijt} = \gamma + \alpha_i + \pi Mmoney_{ijt} + \psi X_{ijt} + \sigma_{jt} + \varepsilon_{ijt} \quad (4)$$

where r_{ijt} is a measure of remittances received by household i in village j in period t . This measure takes three variants; the probability that a household receives a remittance, the number of remittances received in the past 12 months of the respective survey round and the total value received within the same period. In order to more concretely account for family dynamics in the remittances structure, we include a dummy variable equal to one if the household reported having at least one member who moved out to search for a job outside the home village. In equation (4) we include a full set of controls as in (3) above.

Results

Results from the probit estimation of the determinants of mobile money adoption indicate that mobile money adoption by the household is dependent upon the education level of the household head, the aggregate value of land and asset endowment, and mobile phone possession. In terms of the welfare impact, the adoption of mobile money services was found to increase household per capita consumption by 10 to 86%, depending on

the specification used in the analysis. The probability of receiving remittances increases by seven percentage points when a household adopts mobile money services while the number and total value of remittances received increases by one and 36%, respectively.

From our preferred specification, the results indicate that using mobile money is associated with an 86% increase in household per capita consumption. This is made possible through the facilitation of remittances among family members and friends. In particular, we find that households with at least one mobile money subscriber are 20% more likely to receive remittances from their members in towns and that the total annual value of remittances received is 33% higher compared with their non-user counterparts.

Discussion

Lack of access to financial services is a typical challenge to rural livelihood in many developing countries. Apart from the direct hindrance on the ability to borrow and save, the associated high costs of remitting funds to financially inaccessible areas impose a limit on the effectiveness of informal sharing mechanisms among friends and relatives. Mobile money, a new financial service that allows direct transaction via a mobile phone, serves to bridge this gap given its relatively lower cost and convenience. In Uganda, mobile money adoption has expanded tremendously over the past three years since its inception in 2009.

In this paper, we examined the welfare impact associated with this service by estimating its impact on monthly household per capita consumption. Specifically, we provide evidence that households using this financial innovation experience a significant increase in per capita consumption. The result is robust to sensitivity checks, mainly the change in empirical specification. Disaggregating consumption into food, basic and social expenditures, we find stronger impacts of mobile money for the social expenditure measure, partially suggesting investment in informal social and insurance networks and saving mechanisms.

There are a number of potential pathways through which this result might be realized as cited in the literature including the facilitation of savings (Jack and Suri, 2011) and self-insurance through remittances. We provide evidence that the estimated impact is achieved through the facilitation of remittances; households with access to mobile money services are more likely to receive remittances, receive remittances more frequently and receive higher value of remittances relative to non-users.

We do not explicitly demonstrate, due to data limitations, however, based on anecdotal evidence we are convinced that the average cost of remitting funds across households were reduced greatly with the event of mobile money technology. We further venture into the role of family dynamics by comparing remittance patterns across households with and without members working outside the village. We provide a falsification test that the relationship between this migration measure and remittances did not exist prior to mobile money, suggesting that its emergence after 2009 partially reflects reduction in transaction costs that made it possible for workers to remit funds to their rural households.

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Liberalization and FDI performance among ASEAN and SAFTA member countries

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Abstract

Developing and least developed countries in the South and Southeast Asia emerged as the dynamic hosts of foreign direct investment (FDI), and their inward FDI growth surpassed that of the developing world during the last decade. However, FDI continues to flow quite unevenly into individual countries in the region although they all encourage inward FDI through unilateral liberalization as well as extensive participation in bilateral investment treaties (BITs) and bilateral trade agreements (BTAs). Under this scenario, this study empirically assesses FDI determinants with specific focus on the FDI effects of BITs, BTAs and of factors pertaining to institutional quality. Econometric results of unbalanced panel data uncover that FDI effects of BITs and BTAs are positive but the marginal effects of the later agreements is much higher and remains highly significant after incorporating additional control variables. Japan stands to be a dominant source of investment in the ASEAN countries with a significant positive sign while the opposite sign prevails in connection with FDI from Japan to the SAFTA countries. Furthermore, factors of institutional quality are found to exert a profound influence on inward FDI flow. Our findings support that BITs act as substitutes for stable investment environment which is characterized by good law and order condition, low level of internal conflict and higher level of socio-economic conditions. Nonetheless, a higher degree of integration within the ASEAN region and between ASEAN and Japan has prompted a significantly higher flow of FDI in the ASEAN countries than that of the SAFTA countries.

Introduction

South and Southeast Asian countries are integrated under two distinct regional trade blocs, namely SAFTA (South Asian Association for Regional Cooperation) and ASEAN (Association of Southeast Asian Nations). Developing and least developed participants of these trade agreements have instituted investment liberalization over decades. Although such countries have opened up to international investments unilaterally owing either to a perception of bolstering economic prosperity or to overcome economic crisis by injecting foreign capital and technology, the process has been complemented and stimulated by devising bilateral investment treaties (BITs), bilateral trade agreements (BTAs) like free trade agreements (FTAs) or preferential trade agreements (PTAs), by forming regional trading blocs, and by participating in international investment agreements under the auspicious of multilateral organizations. Consequently, FDI policies such as foreign equity ceiling, sectoral opening, tax concessions, profit repatriation provision, foreign exchange control and many other investment regulations were softened gradually. Nonetheless, in their attempt to turn out to be more competitive and attractive investment locations, contestants for international investments have maneuvered over a wide range of incentives.

In the wake of speedy liberalization of restrictions on FDI coupled with a rising trend in the dislocation of operations by multinational enterprises (MNEs) to access locational advantages, South and Southeast Asia emerged as a key destination for inward FDI. The Asian Development Bank (2007) reported that liberalization of investment barriers by developing countries in Asia resulted in an upward trend of FDI inflow into the region in recent years. Furthermore, FDI flows to South and Southeast Asia exceeded FDI growth in developing countries in other regions (UNCTAD, 2010). However, performance in FDI attraction by the developing and LDC members of ASEAN and SAFTA differ substantially although all of them actively invite FDI by formulating investment-friendly policies and by offering incentives as a way to deliver higher competitiveness to the foreign firms.

Hence, the critical question is what role does a liberal policy regime play on inward foreign investment? Although former studies have addressed many aspects of FDI determinants, the role of bilateral investment treaties (BITs) in the context of developing countries in the South and Southeast Asia remains unexplored. Even from a global perspective, existing literature on FDI and BITs linkage is scarce and inconclusive. Tortian (2012) reports a positive significant relationship between BITs and FDI inflows in Eurasia. Plummer and Cheong (2009) find that BITs signed by the ASEAN countries exert positive but insignificant effects on inward FDI, while they show a negative significant result for the whole sample of 34 home and 74 host countries. UNCTAD (2009) note that participation in BITs by developing and transition economies influences investors' decision in choosing alternative locations. Hallward-Driemeier (2003) finds little evidence that BITs have stimulated FDI flows from the OECD to developing countries.

Thus, the literature brings it to the front that the association between FDI and BITs varies depending on the composition of the sample countries. Contradiction also exists as to whether BITs function as a substitute or complement to host country's investment environment. This study focuses on the link between BITs and inward FDI since investment liberalization through BITs got momentum in SAFTA and ASEAN regions. In this connection, we hypothesize positive FDI effects of BITs signed by the sample members of the two trade blocs. Supporting empirical evidence on this hypothesis will substantiate that BITs act as substitute for a stable environment for investment.

Apart from the FDI effect of BITs, this study explores the role of BTAs on FDI inflow. Developing and LDC member states of ASEAN and SAFTA primarily attract vertical FDI in which case the investing firms tend to export the output from the host country. In this case, FDI and trade act as complements. Owing to complementary relationship between FDI and trade, BTAs are likely to constitute an integral determinant of inward FDI. In particular, BTAs between the Southern and Northern countries can stimulate FDI from the latter to the former because the Southern countries heavily rely on export to the Northern markets. Under this circumstance, BTAs can substantially induce FDI decision of firms.

Furthermore, we assess the FDI effects of political risk factors like law and order and corruption. Effects of these factors in the context of ASEAN and SAFTA countries are inadequately addressed in the past studies. Since the developing and the LDC members of ASEAN and SAFTA maneuvered competitive investment incentive packages, institutional development might act as the driving force of future FDI inflows. Therefore we aim to contribute by ascertaining required institutional reforms to benefit from investment friendly policies and incentives.

Methodology

Equation (1) outlines the empirical strategy of this study.

$$\begin{aligned} \ln(FDI_{ijt}) = & \beta_0 + \beta_1 \ln(GDP_{it}) + \beta_2 \ln(GDP_{jt}) + \beta_3 \ln(POP_{it}) + \beta_4 \ln(POP_{jt}) + \beta_5 \ln(DIST_{ij}) \\ & + \beta_6 (OPEN_{it}) + \beta_7 \ln(TAX_{it}) + \beta_8 \ln(SCHOOL_{it}) + \beta_9 \ln(RAILPC_{it}) + \beta_{10} \ln(ELECPC) \\ & + \beta_{11} (BIT_{ijt}) + \beta_{12} (BTA_{ijt}) + \beta_{13} (ASEAN_{ijt}) + \beta_{14} (ASEANJPN_{ijt}) + \beta_{15} (SAFTAJPN_{ijt}) \\ & + \beta_{16} (LAW_{it}) + \beta_{17} (CORRUPT_{it}) + \varepsilon_{ijt} \end{aligned} \quad (1)$$

$$i = 1, \dots, n \quad t = 1, \dots, T$$

Variables of the econometric model are defined below:

- FDI_{ijt} : Annual inward FDI from country j to country i at year t .
- GDP_{it} : Real GDP of country i at year t .
- GDP_{jt} : Real GDP of country j at year t .
- POP_{it} : Total population of country i at year t .
- POP_{jt} : Total population of country j at year t .

- $DIST_{ij}$: Geographic distance between source and receiving country.
- $OPEN_{it}$: Openness of country i at year t .
- TAX_{it} : Corporate tax rate of country i at year t .
- $SCHOOL_{it}$: Secondary school enrollment rate of country i at year t .
- $RAILPC_{it}$: Rail line per 100,000 people of country i at year t .
- $ELECPC_{it}$: Electricity consumption per capita of country i at year t .
- BIT_{ijt} : Bilateral investment treaties between country i and j at year t .
- BTA_{ijt} : Bilateral trade agreements between country i and j at year t .
- $ASEAN_{ijt}$: Dummy variable that accounts intra-ASEAN FDI. It takes the value 1 if both the home and host countries belong to the ASEAN.
- $ASEANJPN$: Dummy variable that takes the value 1 if Japan is the supplier of FDI to the ASEAN countries.
- $SAFTAJPN$: Dummy variable that takes the value 1 if Japan is the supplier of FDI to the SAFTA countries.
- LAW_{it} : Index of law and order of country i at year t .
- $CORRUPT_{it}$: Index of corruption in country i at year t .

In the equation (1), \ln indicates natural logarithm, i and j stand for host and source country, respectively. The dependent variable is the inward FDI from country j to country i at time t . As the potential determinants of FDI, the regression model of this study incorporates factors relating to market size, trade policy, human development, infrastructure, investment policy, and institutional quality. This research analyzes panel data of annual FDI inflow to the nine Asian host countries for the period of 1995-2010. The sample host countries include six participants of the ASEAN (Cambodia, Indonesia, Myanmar, Philippines, Thailand, and Vietnam) and three member states of the SAFTA (Bangladesh, India and Pakistan).

The main variable of interest is the FDI effect of investment liberalization through enacting bilateral investment treaties (BITs), bilateral trade agreements (BTAs) and participation in regional trade agreements (RTA). This study also discerns Japan's role as a source of FDI in the ASEAN and SAFTA countries which in turn discloses the degree of integration between the source and recipients of FDI. Furthermore, we assess the criticality of some factors pertaining to the institutional strengths of the host countries.

Results and Discussion

Empirical results clearly establish expected signs of the key gravity variables, i.e. income and distance. It appears that FDI effect of host and home country GDPs is positive and significant. Nonetheless, the marginal effect of host GDP exceeds that of home GDP which implies that the growth of production capacity in host countries positively contributes to inward FDI. Population of home countries negatively affects firms' decision to undertake FDI. In other words, population decline in source countries motivates outward FDI due to a decline in market size.

Four indicators of trade policy, i.e. openness in the host country, host country's corporate tax rate, bilateral investment treaties between host and home country as well as bilateral trade agreements have the desired sign. Among these variables, economic openness promotes FDI inflow significantly. The FDI effect of BTA is positive while that of corporate tax rate is negative but both indicators lack any statistical significance. On the contrary, BTA exerts a significant positive impact on firms' FDI initiative. This result discloses the fact that bilateral trade agreements with FDI provision are more beneficial than bilateral investment treaties.

Integration under the ASEAN promotes intra-ASEAN investment at a significant rate. Likewise, investment relationships between Japan and ASEAN countries are very robust. On the contrary, the investment effect of Japan on SAFTA countries is negative. This result shows that ASEAN countries are more integrated with Japan than SAFTA countries. As a result, countries in East Asia receive higher flow of FDI from Japan than that of SAFTA countries. Since Japan is a dominant FDI partner, SAFTA countries need to foster bilateral trade and investment relations with Japan by designing BTAs.

Measures of infrastructure indicate that development of rail network and electricity generation in the host country make positive significant contribution to FDI inflow. Among the two indicators pertaining to institutional quality, law and order situation has a profound impact on inward FDI. This result is consistent with literature and proves that host countries possessing higher level of institutional strength will benefit from an increased flow of FDI. Thus, countries with vulnerable law and order situation are less likely to benefit from booming FDI in Asia.

The extent of corruption in the FDI receiving country shows no statistical implication, although it does not prove that corruption is irrelevant to FDI decision of firms. The sample host countries do not show any sharp difference in their extent of corruption which might lead to the insignificant investment effect of the corruption index.

Table 1: Empirical Results (Standard errors in parenthesis; ***, **, * indicate significance at 1%, 5% & 10% level, respectively)

| | |
|---------------------------|---------------------|
| ln(GDP _{it}) | 1.12*** (0.315) |
| ln(GDP _{it}) | 0.83*** (0.072) |
| ln(POP _{it}) | 0.14 (0.280) |
| ln(POP _{it}) | -0.55*** (0.061) |
| ln(DIST _{ij}) | -0.43*** (0.099) |
| ln(OPEN _{it}) | 0.90** (0.368) |
| ln(TAX _{it}) | -0.53 (0.754) |
| ln(SCHOOL _{it}) | 0.26 (0.441) |
| ln(RAILPC _{it}) | 0.78*** (0.128) |
| ln(ELECPC _{it}) | -1.02*** (0.298) |
| BIT _{it} | 0.18 (0.108) |
| BTA _{it} | 0.57** (0.277) |
| ASEAN _{it} | 0.86*** (0.186) |
| ASEANJPN _{it} | 1.37*** (0.250) |
| SAFTAJPN _{it} | -1.24*** (0.268) |
| LAW _{it} | 0.34*** (0.088) |
| CORRUPT _{it} | -0.00 (0.130) |
| N | 985 |
| R ² | 0.43 |

Conclusion

Developing and least developed members of SAFTA and ASEAN have implemented far-reaching initiatives to liberalize FDI policies, and are still advancing towards more competitive opening to trigger economic growth through technology transfer, employment generation and productivity boost up. Over time, they have designed closely matched offerings to the foreign investors. However, the performance in FDI attraction is quite uneven and also disappointing for some countries. We therefore attempted to empirically examine the role of policy liberalization on FDI inflow. The main focus of the study was to unveil FDI effects of bilateral investment treaties and of institutional quality. This was aimed owing to the rapid rise of FDI inflows in Asia but quite unevenly at individual countries.

In this paper, econometric results clearly established the role of BTAs rather than BITs to stimulate FDI inflows in SAFTA and ASEAN countries. This finding suggests that unilateral liberalization of FDI regulations in less developed countries is not enough for attracting FDI. Such countries need to focus on liberalization at a bilateral level with potential source countries that undertake vertical FDI. Furthermore, LDC and some developing countries in ASEAN and SAFTA possess comparable comparative advantage and compete for labor intensive FDI. Under this circumstance, inability to foster economic relationship with economic giant like Japan act as a stumbling block to FDI growth. Besides, SAFTA countries exhibit lower degree integration within the region which also acts as a deterrent to inward FDI in such economies.

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The impact of shared organizational mission statements: a strategic management perspective

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Abstract

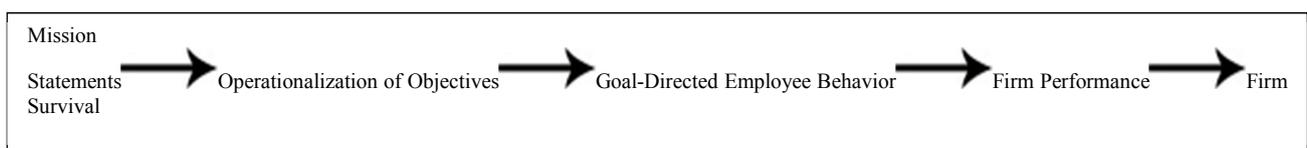
This paper is an effort to understand the importance of great ‘mission statements’ and the significance of it being shared by every employee of an organization. It analyses how this impacts the service standards and performance of the company, when the mission is collectively formulated by all levels of employees. The enthusiasm I had as a ‘People’s Trainer’, whilst working with the Training & Development Team of Sri Lanka’s biggest fashion chain from February 2011 to March 2013 inspired me to explore this title with great interest.

Introduction

An area of great fascination and interest for all ‘strategic managers’ and CEOs of giant corporations is the long term ‘vision and missions’ of the organization. In fact the existence of every organization has core reasons and a unique purpose for its creation, which is reflected in the ‘mission statement’ of the organization. But what appals me is that how is it possible for the top strategic managers only to be aware of this.

The questions which top my mind are: what about the other employees? Is it not required for every worker of an organization to know where they are heading and what are the organization’s main values and standards? And even more surprising to me is that though organizational vision and missions are discussed in almost all management books with great emphasis, the research done on this topic is not adequate to the extent of its importance taught by academics.

Miller A. & Dess (1996) came up with the relationship of mission statements to the Organization’s retention as below:



Stephen R. Covey (2004), researches about companies that have effective mission statements. He points out to two unique examples based on his real life example at International Business Machines (IBM) and another Hotel Chain. He proves as to how, when the company missions are collectively formed by all levels of employees, the positive impact it has on the performance of all level of employees.

Findings and Discussion

The main objective of this study was to understand how shared mission statements by all levels of employees can create an impact on the employee’s performance, thereby leading to great performance of the company. The company NOLIMIT, formed in 1992 has a strong vision and mission formulated by all levels of employees. The reason behind this is that during the formulation process, the employees too collectively participated. And the senior strategic team after reviewing all the submissions had come up with a finalised

one based on the central unique idea proposed.

So what benchmarks this fashion chain is that all employees at every level were able to be involved in the formulation of the mission. So the employees see a sense of ownership in the company's values and culture thereby practicing to their utmost level.

As for all new employees who join the team, the initial orientation session is designed in such a manner that even the new employee grabs the company's vision and mission as his or her code of living. And more interestingly the Trainer would explain every part of the company's mission with examples and also ask the trainee's expectations, thereby making the new employee feel that he too is warmly welcomed towards the collective mission.

On Completion of the training, the trainee is evaluated by using a post-training evaluation system which includes observation, and activity based on the Job analysis. And this company assists employees to design their own 'personal mission statement' thereby giving the employees a sense of direction and purpose in life.

All these factors had positively impacted the employee's motivation level and performance, thereby leading towards the company's overall performance and being the market leader in the retail family fashion industry of Sri Lanka.

I conclude with the favorite phrase of Stephen R. Covey (2004):

"I know a lot of companies with impressive mission statements. But there is a real difference, all the difference in the world, in the effectiveness of a mission statement created by everyone involved in the Organization and one written by a few top executives behind a mahogany wall"

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Returns to scale, markup and total factor productivity for the Japanese manufacturing industry

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Abstract

This study is to estimate productivity growth by simultaneously considering imperfect competition, increasing returns to scale and variable factor utilization by using an industry panel for the period of 1973-2002. Estimation results reveal that returns to scale has a slightly positive effect on the Solow residual, and that markup has negligible effects on Solow residual growth. After we adjusted the Solow residual by eliminating effects of scale economies and markup, the adjusted Solow residual grew by -1.0% per year over the sample period, which is slower than the measured Solow residual that grew by 1.0% per annum.

Introduction

To estimate the Solow residual, researchers generally assume constant returns to scale (CRS), perfect competition, and a full employment of factor inputs. The Solow residual fails to provide an accurate measure of total factor productivity (TFP) change if one of these assumptions is violated. The main objective of our paper, therefore, is to eliminate any error caused by those assumptions that may exist in the Solow residual. That is, we want to extract the part of the Solow residual that denotes pure productivity shocks. Within this context, we should allow for all three restrictive assumptions simultaneously when estimating the Solow residual, instead of considering just one restrictive assumption.

This paper uses industrial panel data for the Japanese manufacturing industry to address the issues that are related to the measurement of the Solow residual. By selecting the Japanese manufacturing sector, based on a significant break in estimated TFP growth in the aftermath of the bubble, researchers indicate a slowdown in TFP growth as the most prominent reason for lagging Japanese economic growth since 1990s (see, e.g., Hayashi and Prescott, 2002; Gust and Marquez, 2000; Yoshikawa, 2000). They investigate the causes and implications of the slow productivity growth represented by the Solow residual, although researchers acknowledge criticism inherent in the Solow residual as a measure of productivity growth. However, Kawamoto (2005) eliminated the impact of cyclical bias in the Solow residual by controlling for demand shocks to measure better aggregate technical shocks for the Japanese economy, and showed that there is little or no evidence of a decline in productivity growth since the early 1990s.

More recently, Kiyota (2010) decomposed the Solow residual into markup effects, scale economies, and productivity by using an extensive survey panel of Japanese firms from 1994-2006. He reported that productivity is procyclical, even after the changes in markup and scale economies are removed from the measured Solow residual.

Building on the previous studies, especially on those tried to estimate productivity growth by eliminating scale and markup effects from the measured Solow residual, this study tries to shed some light on the following questions: (1) Does the Solow residual with variable capital utilization represent true productivity shocks because it is invariant to demand shocks for the Japanese economy? (2) How does each component of the Solow residual influence the measured Solow residual to alter its overall productivity measure? (3) What impact have productivity growth made for the Japanese economy after the bubble era if a better measure of productivity is considered? (4) Should policy makers emphasize more on innovation to promote future economic growth, or should they try to improve competitive efficiency or enhance factor employment to bolster its economic growth?

This study consists of two parts. First, we estimate markup and RTS indices for the Japanese manufacturing sector to derive their impacts on the Solow residual. Then, an alternative measure of productivity change is developed from the Solow residual by eliminating factors related to RTS, markup, and capital utilization.

Methodology

To estimate pure TFP from the estimated Solow residual, we must estimate markup and RTS from the dataset because no reported series is available for these, as there is for capital utilization index δ_t . We are able to obtain RTS and markup by estimating the following output growth equation:

$$\Delta y_t = \Delta a_t + \gamma(\Delta k_t + \Delta \delta_t) + \mu \varphi_t [\Delta l_t - (\Delta k_t + \Delta \delta_t)] + \varepsilon_t \quad (1)$$

where Δy_t , Δk_t , Δl_t , $\Delta \delta_t$ and Δa_t , represent the growth rates of real output, capital stock, labor employment, capital utilization and TFP respectively, and φ_t , and ε_t denote labor share in revenue and an error term. The coefficients γ , and μ to be estimated capture RTS (as represented by average cost divided by marginal cost), and markup respectively.

Many researchers have used this equation to estimate RTS and markup (e.g., Basu and Fernald, 1997; Hall, 1988, 1989; Linnemann, 1999; Paquet and Robidoux, 2001). However, researchers have estimated markup and RTS separately to avoid possible multicollinearity resulting from correlations between explanatory variables. They estimated markup by assuming CRS ($\gamma = 1$), and RTS (γ) by assuming perfect competition in which markup becomes zero ($\mu = 1$) (e.g., Paquet and Bobidoux, 2001). For our empirical analysis, we are able to estimate Eq. (8) directly with enough cross industry variation that eliminate any correlation between the explanatory variables. (In our data, regressors of $(\Delta k_t + \Delta \delta_t)$ and $\varphi_t [\Delta l_t - (\Delta k_t + \Delta \delta_t)]$ in Eq. (1) are not correlated with Pearson correlation coefficient of mere -0.0178, eliminating multicollinearity problem when estimating the equation directly.)

We use the Japan Industrial Productivity (JIP) Database 2011, which was compiled in a collaborative effort between RIETI (Research Institute of Economy, Trade and Industry), Hitotsubashi University's Global COE Hi-Stat Program. This database comprises various types of annual time series from 1970-2008 that are required to estimate TFP at 108 industries for the Japanese economy.

Despite its extensiveness, the database includes capital utility index only for the period of 1972-2002, so we restrict our sample analysis to this period. In addition, we concentrate our analysis on the manufacturing sector that is the backbone of the Japanese economy to see clear picture of productivity fluctuation throughout the long sampled years. Therefore, our final data consists of a panel of 84 industries covering the Japanese manufacturing sector for the year 1973-2002. The official web of RIETI provides a detailed explanation of the database and variables used for our analysis.

For estimation, capital stock is given by the real amount of tangible fixed assets, labor inputs are proxied by the number of working hours, and gross value added is used for output. Labor cost consists of employee remuneration, including wages, bonuses, retirement compensation, and other welfare costs, and capital cost is calculated as the sum of interest payments, rents, and depreciation costs. The capital utilization rate is proxied by the capital utility index estimated by the Wharton School Method. All variables have been converted into 2000 constant prices to allow for comparison in real terms.

To eliminate any possible endogeneity of the explanatory variables, we utilize IV regression for panel data that is the two-stage least square (TSLS) estimation of Eq. (1). For instruments, we use growth rate of M2 (ΔM_t) and domestic corporate price index (Δp_t), along with lagged dependent variables

$$(\Delta k_{t-1} + \Delta \delta_{t-1}, [\Delta l_{t-1} - (\Delta k_{t-1} + \Delta \delta_{t-1})]).$$

Discussion

Table 1 presents coefficient estimates two-stage instrumental variables estimation for panel data estimation from Eq. (1). Estimation utilizes three different panel data models that include fixed-effects model with industry dummies and with both industry and year dummies, and random effects model. The Hausman test rejects random effects model over fixed effects model at the 1% statistical significance level. In addition, two way fixed effects model is rejected over the one way industry dummy fixed effects model. Therefore, our further analysis will proceed based on the chosen fixed effects model.

The markup rate is estimated at 1.032 and significant at the 1% significance level. The null hypothesis that the markup is equal to one cannot be rejected at the 5% significance level, implying the nonexistence of a significantly positive markup in the Japanese manufacturing industry during the sample period. The RTS is estimated at 1.727 and significant at the 1% significance level. The estimate looks greater than one, but the null hypothesis of CRS cannot be rejected at the 5% significance level, implying that the Japanese economy was subject to CRS technology during the sampling period. The estimated RTS suggests that the Japanese manufacturing industry varies widely across the board of narrowly specified sub-sectors.

Table 1. Estimates of Markup and Returns to Scale for Japanese Manufacturing

| Estimation equation: $\Delta y_t = \beta_0 + \beta_1(\Delta k_t + \Delta \delta_t) + \beta_2 \varphi_{it} [\Delta l_t - (\Delta k_t + \Delta \delta_t)] + \varepsilon_t$ | | |
|--|----------------|----------------|
| Variable | Fixed effects | Random effects |
| β_0 | 0.021 (0.015) | 0.025 (0.016) |
| β_1 | 1.726 (0.419)* | 1.643 (0.442)* |
| β_2 | 1.031 (0.274)* | 1.060 (0.016)* |
| industry dummies | yes | no |
| year dummies | no | no |
| R^2 | 0.231 | 0.255 |
| χ^2 | 26.28* | 15.88* |
| Instruments: $P, M, \Delta k_{t-1} + \Delta \delta_{t-1}, [\Delta l_{t-1} - (\Delta k_{t-1} + \Delta \delta_{t-1})]$ | | |
| Hypothesis test | | |
| $H_0 : \hat{\gamma} = 1$ (CRS) p -value = 0.083 | | |
| $H_0 : \hat{\beta}_3 = 1$ (No markup) p -value = 0.908 | | |

Notes: *Standard errors are in parentheses. Every coefficient estimate is statistically significant at the 1% level of significance. [†]RTS is evaluated at mean value of labor share. Estimation utilizes two-stage instrumental variables estimation for panel data.

Based on estimated markup, RTS, we can estimate sources of Solow residual growth. Table 2 presents the sources of output and Solow residual over the sample years. First, output growth is decomposed into factor input growth and Solow residual growth. Then, sources of Solow residual growth is divided into effects of RTS and markup.

Now we decompose the Solow residual into the effects of RTS and markup, and eliminate these effects from the residual to derive the adjusted Solow residual, which should be a better measure for TFP. Decomposition results reveal that RTS has a slightly positive effect on the Solow residual, except early 1970s and 2000s averaging 2% during the sampling period. (The impact of RTS on the Solow residual is positive because the average estimated RTS is greater than one.)

Table 2. Sources of Output and Solow Residual Growth for Sample Years

| Period | SR | Solow residual (SR) | | | | | |
|---------|--------|---------------------|--------|--------|------|--------|--------|
| | | RTS | | Markup | | TFP | |
| 1974-75 | 0.012 | -0.037 | (-319) | 0.000 | (1) | 0.050 | (427) |
| 1976-80 | 0.023 | 0.033 | (143) | 0.001 | (6) | -0.011 | (-46) |
| 1981-85 | 0.032 | 0.024 | (76) | 0.000 | (-1) | 0.006 | (19) |
| 1986-90 | -0.005 | 0.050 | (-924) | 0.000 | (9) | -0.055 | (1019) |
| 1991-95 | -0.004 | 0.016 | (-458) | 0.000 | (13) | -0.019 | (545) |
| 1996-00 | 0.007 | 0.012 | (174) | 0.000 | (-4) | -0.005 | (-70) |
| 2001-02 | -0.003 | -0.015 | (558) | 0.000 | (5) | 0.012 | (-462) |
| 1974-02 | 0.010 | 0.020 | (202) | 0.000 | (0) | -0.010 | (-104) |

Notes: Except simple averaged intervals, all numbers are weighted averages over the whole manufacturing industries with weight of gross value added. Numbers in parentheses represent share of each source on output and Solow residual in per cent. Due to estimation error, the sum of contribution for all sources does not equal to 100%.

The effects of RTS, however, changes over the period, being the largest in the late 1980s with 5% when the Japanese economy grew fastest and then slowed down after the period turning into negative since 2000s. Markup has negligible effects on Solow residual growth, averaging 0.00% overall, as expected from the modest estimate of markup. Thus, markup does not provide any bias in the measured Solow residual growth as productivity shocks for the Japanese manufacturing sector.

We can estimate an adjusted Solow residual by eliminating the combined effects of RTS and markup from the measured Solow residual. The adjusted Solow residual represented as TFP in Table 2 grew fastest by 5.0% per annum in the early 1970s, followed by growth rate of 1.2% in the early 2000s and 0.6% in the early 1980s. The adjusted Solow residual was slowest by -5.5% in the late 1980s, followed by 1.9% in the early 1990s and 1.1% in the late 1970s. The adjusted TFP grew by -1.0% per year over the whole period, which is much slower than the original TFP measure, which grew by 1.0% per annum. The gap between the two measures varies greatly across periods: it is greatest (5%) in the late 1980s, and is lowest (1.2%) in the late 1990s. The comparison of the two residuals reveals that Solow residual significantly overestimates the total factor productivity growth of the Japanese manufacturing sector.

The adjusted Solow residual is estimated at -1% per annum during the sampling period. According to our new productivity measure, TFP growth accounts for -104% of the original Solow residual growth in Japanese manufacturing that grew by 2.7% per annum, and this contribution is much smaller than that from the original Solow residual, which accounts for about 36% of the growth.

Previously, Kawamoto (2005) adjusted the Solow residual to account for scale effects and markup effects by using the same JIP dataset for the year of 1973-1998. By using the three factor model in which gross output is used for output and labor capital and material for factor inputs, Kawamoto (2005) estimated RTS as 1.06 for the durable manufacturing sector and 0.81 for the nondurable manufacturing sector. After controlling for increasing returns, imperfect competition and cyclical utilization, Kawamoto (2005) reported TFP 3.6% for the durable manufacturing and 2.3% for the nondurable during 1973-1998, and suggested technological progress was underestimated due to cyclical utilization and reallocation of inputs from productive manufacturing sector to less productive services sector.

More recently, Kiyota (2010) decomposed the Solow residual into markup effects, scale economies, and productivity by using an extensive survey panel of Japanese firms from 1994-2006. Focusing on manufacturing sector, the study reported that average markup ranges from 0.825 to 1.104 and scale economies from 0.782 to 1.012. The study rejected the null hypothesis of constant markup and CRS in more than half sampled manufacturing industries. Kiyota (2010) also showed that the adjusted TFP is procyclical, even after adjusting markup and scale effects from the measured Solow residual, which is somewhat contradicting with the previous presumption that true productivity shocks are orthogonal to demand shocks.

Comparing with the above two pioneering studies on which this study is building, our study cannot reject the null of CRS even though RTS estimate is much greater than those of the two studies. As indicated in the two studies, our study confirms that RTS varies widely across manufacturing industries. Our finding suggests that the measure Solow residual overestimated the productivity of the Japanese manufacturing during 1973-2002.

In sum, decomposition results reveal that RTS has a slightly positive effect on the Solow residual, except early 1970s and 2000s averaging 2% during the sampling period. The effects of RTS, however, changes over the period, being the largest in the late 1980s when the Japanese economy grew fastest and then slowed down after the period turning into negative since 2000s. Markup has negligible effects on Solow residual growth, averaging 0.00% overall due to a very small estimated markup. This implies that markup does not provide any bias in the measured Solow residual growth as productivity shocks for the Japanese manufacturing sector.

When we adjust the Solow residual by eliminating the combined effects of RTS, markup, and capital utilization, the adjusted Solow residual turns out to be smaller than the original. The adjusted Solow residual grew by -1.0% per year over the whole period, which is slower than the original TFP measure, which grew by 1.0% per annum. The comparison of the two residuals reveals that measured Solow residual significantly overestimates the total factor productivity growth of the Japanese manufacturing sector.

In contrast to previous studies, our empirical results reveal that the Solow residual overestimates productivity changes due to impact from scale economies.

Acknowledgement

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Impact of monetary policy on commercial bank lending in Ghana

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Abstract

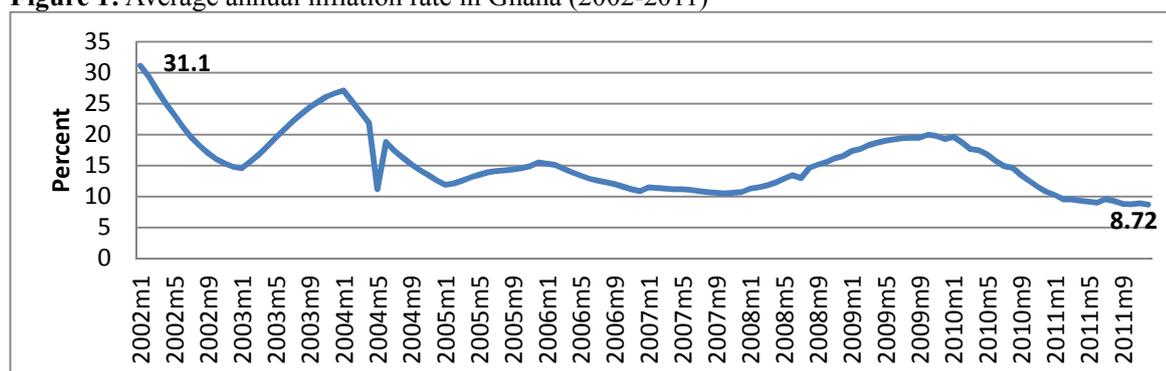
Inflation targeting has been formally practiced in Ghana since 2002. Between 2002 and 2011, the inflation rate and monetary policy rate (or short term nominal interest rate) have been brought down significantly. Among other things, these downward revisions were undertaken with expectations that cost of borrowing by private agents will become cheaper. Multiple regression, granger causality and vector error correction model are used to analyse the responsiveness of base commercial bank lending interest rate to changes in monetary policy variables and money market variables. Using monthly data from 2002 to 2011, the results show that the lending interest rate is more responsive to monetary policy rate and Treasury bill rate. The base lending rate is granger caused by the Treasury bill rate. Also, it takes about two and a half months for the lending rate to adjust to shocks from monetary policy and money market variables.

Introduction

It goes without saying that the impact of monetary policy on real variables such as aggregate output and employment may not ensue in the absence of financial intermediaries. The role of financial intermediaries (especially commercial banks) as conduits for the effective implementation of monetary policy cannot be overemphasized. (Boyd, 2010, p. 84) However, the sheer presence of commercial banks does not guarantee a smooth transmission of monetary policy between policy authorities and economic agents, whose activities significantly contribute to the overall output and employment creation.

In 2002, the central bank of Ghana *inter alia* informally introduced inflation targeting as the desired monetary policy framework to achieve price stability. Since then, the inflation rate has declined from about 31% in January 2002 to 8.72% in December 2011.

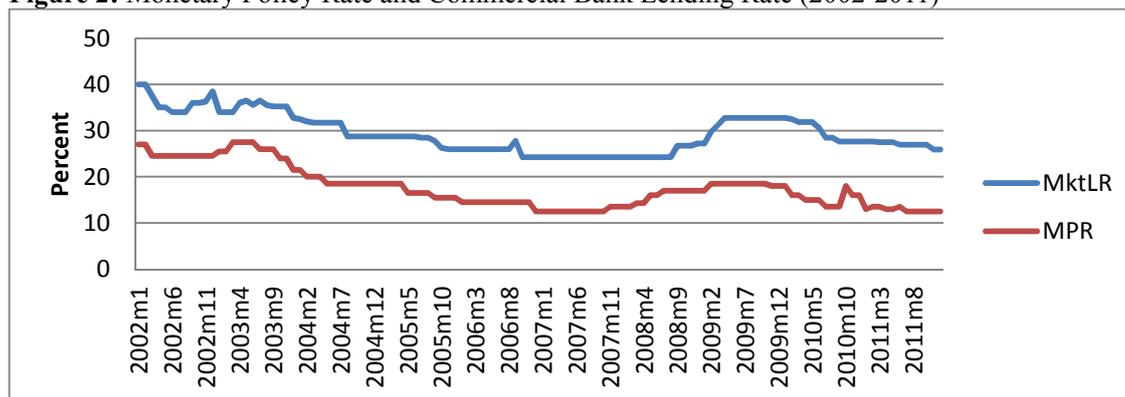
Figure 1: Average annual inflation rate in Ghana (2002-2011)



Source: Bank of Ghana online database (2013)

While the single-digit inflation figures are admirable, stakeholders in the corporate environment continue to lament over high lending interest rates from commercial banks. Base market lending interest rates remain high (above 25%) even after several downward revisions of the central bank's short-term nominal interest rate – the monetary policy rate and public calls for closely related downward revisions (or responsiveness) of commercial bank lending rates to the monetary policy rate.

Figure 2: Monetary Policy Rate and Commercial Bank Lending Rate (2002-2011)



Source: Bank of Ghana Monetary Time Series Database (2012)

The puzzles brought hereon are; (1) to which monetary policy and money market variable(s) is commercial bank lending rate most responsive to and at what degree? And (2), how long does it take for bank lending rates to adjust to shocks from monetary policy and money market variables?

Methodology

The variables used for the analyses fall under three categories: monetary policy instruments (*monetary policy rate, money supply and inflation rate*), money market rates or alternatives to lending (*91-day Treasury bill rate and exchange rate*) and a proxy for money demand (*deposit interest rate*). Data on all variables were compiled from the Bank of Ghana monetary time series online database and comprises monthly data from 2002 to 2011.

Table 1: Description of variables

| Variables | Label | Definition |
|----------------------|--------|--|
| Lending rate | LR | Base market lending interest rate by banks |
| Monetary Policy rate | MPR | Policy rate set by Bank of Ghana's MPC |
| Money supply | M2 | M2 plus foreign exchange deposits |
| Inflation | INF | CPI inflation (2002=100) |
| Treasury bill rate | TBR | 91-day Treasury bill rate |
| Exchange rate | EXR | Interbank GH¢/USD exchange rate |
| Deposit rate | DEPINT | Interest rate on savings and time deposits |

Findings and Results

Correlation: Generally, the pairwise correlation results indicate strong positive correlation between *LR* (dependent variable) and the explanatory variables. With respect to monetary policy instruments, *MPR* and *INF* show a strong positive correlation while *M2* shows a moderate negative correlation with *LR* – the dependent variable. The strong positive correlation of (0.93) between *M2* and *EXR* presumably reflects the embedment of foreign exchange deposits in the current definition of broad money supply (*M2+*) by the Bank of Ghana.

Unit Root Test: The stationary properties of all variables were examined using the Augmented Dickey-Fuller (ADF) test. The results reveal that all variables are stationary after first differencing *I*(1).

Cointegration Test: Cointegration test is conducted prior to running the regression model in order to avoid the problem of spurious regression. Moreover, results from the cointegration test are instrumental in

choosing to apply a vector autoregressive model (VAR) or a vector error correction model (VECM). The test is done by conducting a Dickey-Fuller test on the least squares residuals.

$$\Delta \hat{e}_t = \gamma \hat{e}_{t-1} + v_t \quad (1)$$

The null hypothesis of no cointegration is rejected at the 0.05 significance level. Additionally, the Johansen cointegration test is run to determine the cointegration rank. The results show that there is at least one (1) cointegrated equation. Prior to estimating the cointegration rank, the optimal lag is investigated and three (3) lags are selected by three selection order criteria: Likelihood ratio (LR), Akaike information criterion (AIC), and final prediction error (FPE).

Multiple Regression Model: Three models are run in this regression analysis. Firstly, only monetary policy variables are regressed on the lending rate. In the second and third models, money market variables and the proxy for money demand (deposit interest rate) are added respectively. Equation (2) below, presents the functional form of the model in which all variables are used. The null hypothesis is that the coefficient of an explanatory variable is equal to zero. Representatively, $H_0: \beta_t = 0$ against the alternative, .

$$\Delta \ln LR_t = \beta_0 + \beta_1 \Delta \ln MPR_{t1} + \beta_2 \Delta \ln M2_{t2} + \beta_3 \Delta \ln INF_{t3} + \beta_4 \Delta \ln TBR_{t4} + \beta_5 \Delta \ln EXR_{t5} + \beta_6 \Delta \ln DEPINT_{t6} + \varepsilon_t \quad (2)$$

Table 2: Multiple Regression results

| Variable | Model 1 | Model 2 | Model 3 |
|-------------------------|-------------|--------------|--------------|
| DlnMPR | .3731119*** | .3599328*** | .2941425*** |
| DlnM2 | -.0414076 | -.2078852*** | -.1618079*** |
| DlnINF | .026407 | .0518107** | .0411604* |
| DlnTBR | | -.1004586*** | -.1427966*** |
| DlnEXR | | .6959445*** | .5421796*** |
| DlnDEPINT | | | .1683341*** |
| Adjusted R ² | 0.3743 | 0.4782 | 0.6347 |

Note: ***, **, * represent significance levels of 1%, 5% and 10% respectively

Post estimation tests conducted on the residuals to ascertain the reliability of the results yielded satisfactory results.

Granger Causality: Simply put, a variable (X) is said to granger-cause another variable (say, Y) if past values of X explain Y. Since all variables listed in Table 1 are non-stationary (in levels) and cointegrated, a difference is taken and the following general form of the model is applied:

$$\Delta Y_t = \alpha + \lambda e_{t-1} + \beta_1 \Delta Y_{t-1} + \dots + \beta_p \Delta Y_{t-p} + \gamma_1 \Delta X_{t-1} + \dots + \gamma_q \Delta X_{t-q} + \varepsilon_t \quad (3)$$

The null hypothesis is expressed as $H_0: \gamma_1 = \dots = \gamma_q = 0$, meaning that X does not granger cause Y if all coefficients of X are equal to zero.

Granger causation was reported in 3 cases. Lending rate is granger caused by Treasury bill rate at the 5% significance level, monetary policy rate granger causes Treasury bill rate at the significance level of 0.10 and monetary policy rate is granger caused by Treasury bill rate at the 10% significance level.

Vector Error Correction Model (VECM): The VECM is employed to meet the research objective of calculating the level and time at which the lending rate adjusts to shocks from monetary policy and money market variables.

The statistic of interest in the VEC model applied here is the error correction term of lending rate. The

error correction term is reported with a coefficient of -0.418 and a p-value less than 0.05. As interpretation goes, the lending rate adjusts to 42% of shocks from explanatory variables in the short run (one month). Post estimation test results on autocorrelation and stability are satisfactory.

Discussion

The implementation of inflation targeting and consequently the focus on CPI inflation as a policy target has yielded desirable results especially in view of the fact that the inflation rate has reduced from over 30% to about 9% over the last 12 years. There may have been a few deviations from the target in the past. In this regard, Amoah & Mumuni (2008) observe that preference for output stabilization over meeting the inflation target partly explains the inability to meet inflation targets.

Being able to reduce the inflation rate, while improving total output, attests to the competence of policy makers with respect to monetary management in Ghana. Notwithstanding, monetary management does not rest solely with activities of the monetary authorities i.e. the Bank of Ghana. Formal complaints of persistently high lending interest rates and challenge of access to finance by Ghanaian businesses *inter alia* is suggestive of an ailment in the transmission of monetary policy. The dominance of commercial banks in Ghana's financial system makes them a prime factor pertaining to the inefficiencies of monetary transmission.

In the multiple regression analysis, the coefficient of *MPR* is positive and statistically significant. Commercial bank base lending rate therefore has a positive relationship with the monetary policy rate. This is not surprising owing to the competence of the Monetary Policy Committee and perhaps a lingering effect of long history of direct controls in Ghana's banking system. The positive relationship between *MPR* and *LR* is also suggestive of a functioning bank lending channel where the short term nominal interest (*MPR*) affects the cost of credit.

Surprisingly, the inflation rate (*INF*), which is the primary target under Ghana's current monetary regime, is less significant in explaining changes in the lending rate. In a sense, the base market lending rate is least responsive to changes in the inflation rate. To some extent this result lends support to the notion that expected inflation, in Ghana's inflation targeting regime, is basically used as basis for fixing the monetary policy rate which plays a more important role on the credit market.

The negative, but statistically significant coefficient of *TBR* indicates a negative relationship where *LR* increases by 0.14 following a decrease of *TBR* by one unit. In relation to the concentration of bank's operating assets, this result can be interpreted as indicating that when *TBR* is increasing banks allot more funds into securities for a stable return while where *TBR* is decreasing or low, profitability is sought by increasing lending interest rates. The deposit interest rate has a positive and statistically significant relationship with lending rate. What this result suggests is that as deposit interest rate increases, the lending rate also increases or vice versa. Such an association between the two variables could be interpreted as capturing an almost maintained gap in interest rate spread.

Furthermore, the granger causality test results indicate that the past values of *TBR* can predict future values of *LR* at the significance level of 0.05. The main explanation offered for this result is that following heavy government borrowing from the money market (typified by the attractiveness of the return on Treasury bills) the so-called 'crowding-out' effect creates a scarcity of loanable funds which being demanded by many prospective borrowers forces the lending rate to rise. The results also suggest bi-directional granger causation between *MPR* and *TBR* at 10% significance level.

The error correction term of -0.42 indicates that in a month, the lending rate adjusts from 42% of shocks from explanatory variables. In essence, the result suggests that it takes about two and a half months for the base lending rate to adjust to revisions in the monetary policy rate, for example.

Conclusion

Inflation targeting has helped in lowering the inflation rate and monetary policy rate in Ghana; however base lending interest rates remain high. This research has found that the monetary policy rate and 91-day Treasury bill rate have a significant influence on base commercial bank lending interest rate. In practice, borrowing at the monetary policy rate has not led to the desired reduction of base lending rates because banks rely more on the interbank market than the central bank for loanable funds. It may be recommended that the central bank uses moral persuasion to encourage banks on the interbank market to reduce the cost of borrowing by fixing prices closer to the monetary policy rate.

On the other hand, attractiveness of Treasury bills affect commercial banks loanable funds allotted to private agents. As this indicates crowding out by the government, this research suggests that the government should reduce its current level of borrowing from the money market. Alternatively, private businesses (SMEs) should be encouraged to undertake projects on behalf of the government. By so doing, the government will not have to borrow from the money market for the purposes of financing those expenditures but rather encourage banks to lend at cheaper interest rates to such enterprises. It is envisaged that this arrangement will be profitable to banks once the lending interest rates are priced above the prevailing Treasury bill rate.

Following the financial restraint model proposed by Hellmann, Murdock, & Stiglitz (1996, p. 5, 21), “deposit rate controls” can be instituted by the government to encourage banks to invest in deposit mobilization (or financial deepening). In this case, the operating assets (loanable funds) will increase, thereby positioning banks to be able to lend to SMEs and have enough funds to lend to the government as well. Pertaining to deposit mobilization (or financial deepening) the government could support bank’s nationwide outreach by sharing or leasing parts of government office buildings or post offices especially in rural areas.

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Variations in total factor productivity of East Asian countries: The application of multi-factor models

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Abstract

This paper intends to remove the drawbacks of the Solow residual and stochastic frontier model approaches by adopting the multi-factor models and examines the temporal variations in total factor productivity of East Asian countries in comparison with those in Western countries. The common factors are unobservable aggregate variables which influence TFP of all firms or countries and factor loadings represent country-specific response of productivity to common factors. Our panel data sample from Penn World Table 6.3 consists of 54 countries and 58 years from 1950 to 2007. The empirical results show that there are three common factors which have influenced outputs in the period of 1950-2007 and each individual country has different temporal changes in total factor productivity each other.

Introduction

The measurement of total factor productivity (TFP) has been dependent upon the growth accounting approach or the Solow residual in various empirical studies. A disadvantage of this approach is that the residual includes not only TFP, but also random noise. Given a certain amount of inputs used, the same productivity level does not guarantee the same output because of the existence of randomness. For example, a random macro shock such as the financial crisis in the late 90s and the early 2000s caused outputs to decrease dramatically even though productivity of a firm or a country remained constant in the short run. However, the Solow residual approach estimates TFP to fall. Recently, stochastic frontier production models have been applied for TFP estimation.

Stochastic frontier models were developed originally in order to estimate the technical efficiency of an individual firm (Aigner, Lovell and Schmidt, 1977; Meeusen and van den Broeck, 1977). The models are designed to segregate technical inefficiency from a random error and then, the disadvantage of the Solow residual can be resolved. Furthermore, the stochastic frontier models allow for the decomposition of TFP into technological progress and efficiency change. In order to estimate temporal variations in efficiency, the stochastic frontier models with panel data have been developed [Cornwell, Schmidt, and Sickles, 1990; Kumbhakar, 1990; Battese and Coelli, 1992; Lee and Schmidt, 1993; Cuesta, 2000; Ahn, Lee, and Schmidt, 2001, 2007; Han, Orea and Schmidt, 2006; and Lee, 2006, 2010].

However, each individual model assumes a specific temporal pattern of technical efficiency. For example, Battese and Coelli (1992) assume that all firms have an identical temporal pattern of technical efficiency which follows an exponential function of time trend. Cornwell, Schmidt, and Sickles (1990) allow for different temporal across firms, but assume a time quadratic functional form explains the temporal variations in efficiency. When stochastic frontier models are applied for the estimation of TFP, they generally impose a time trend term or its functions on the regression equation for identifying technical progress in addition to their specifications of a technical efficiency term. This approach also has a drawback. First of all, Cornwell, Schmidt, and Sickles (1990) cannot be applied since they assume time-quadratic functional form for efficiency change and then, the multicollinearity problem occurs. In case of Battese and Coelli (1992), the question is how we can verify the restriction that technical progress follows a linear time trend and efficiency does the exponential form of time trend,

This paper intends to remove the drawbacks of the Solow residual and stochastic frontier model approaches by adopting multi-factor models, and examines the temporal variations in TFP of East Asian countries in comparison with those in Western countries. The multi-factor models which have been conventionally applied in studies of finance consist of common factors and factor loadings.

The common factors are unobservable aggregate variables which influence TFP of all firms or countries, and factor loadings represent firm (or country) specific response of productivity to common factors. For example, the ICT (information and communication technology) shock may influence on productivity of all firms or countries and individual firms (or countries) may respond differently to the shock. A certain firms or countries take the lead in ICT development while other firms may react lately to the new technology. This heterogeneity can be controlled by factor loadings. The recent econometric development allows for estimation of the number of common factors [Bai, 2009; Ahn, Lee and Schmidt, 2013; Ahn and Horenstein, 2013]. In addition to the ICT shock, there are other candidates of common factors influencing on productivity such as the financial crisis in the late 90s.

Methodology

The econometric model: The production model can be specified as follows:

$$(1) \quad y_{it} = x'_{it}\beta + \mu + \delta_t + \alpha_i + f'_i\lambda_i + \varepsilon_{it},$$

where $y_{it} = \log$ of rgdp, x_{it} = vector of logs of labor and capital, f_i is an $r \times 1$ vector of unobservable common factors, and λ_i = factor loadings. Each country has different endowment which is not observed. Since endowment is constant over time, we assume that α_i control for the effect of endowment. The errors ε_{it} are assumed to be cross-sectionally and serially independent over i and t , and to be cross-sectionally heteroskedastic: $\text{var}(\varepsilon_{it}) = \sigma_i^2$ for all t . The errors are also independent of the regressors, factors and factor loadings.

First of all, we need to estimate the number of common factors (r). We adopt two estimator suggested by Bai(2005) and another two estimators suggested by Ahn and Horenstein (2013). Bai(2005) suggested two information criterions and the estimator of the number of factors as follows;

$$(2) \quad CP(k) = V_{NT}(k) + V_{NT}(k_{\max}) \left[k(N+T) - k^2 \right] \frac{\ln(NT)}{NT}$$

$$(3) \quad IC(k) = \ln[V_{NT}(k)] + [k(N+T) - k^2] \frac{\ln(NT)}{NT}$$

where $V_{NT}(k) = \frac{1}{NT} \sum_{i=1}^N (\tilde{y}_i - \tilde{X}_i \hat{\beta}^k)(\tilde{y}_i - \tilde{X}_i \hat{\beta}^k)'$, and $\hat{\beta}^k$ is the estimator of β assuming the number of factors $= k$.

$$(4) \quad \hat{r}_{CP} = \arg \min_{0 \leq k \leq k_{\max}} CP(k), \quad \hat{r}_{IC} = \arg \min_{0 \leq k \leq k_{\max}} IC(k)$$

where k_{\max} is a chosen number that will not be smaller than r .

Originally, Ahn and Horenstein (2013) proposed the estimation method for the cases without regressors. But their methods can be extended to the cases with regressors. Their estimators follow as

$$(5) \quad ER(k) = \frac{\hat{\mu}_{NT,k}}{\hat{\mu}_{NT,k+1}}; \quad GR(k) = \frac{\ln(1 + \tilde{\mu}_{NT,k})}{\ln(1 + \tilde{\mu}_{NT,k+1})} \quad \text{where} \quad \tilde{\mu}_{NT,k} = \hat{\mu}_{NT,k} / \sum_{j=k+1}^m \hat{\mu}_{NT,j}$$

$$(6) \quad \hat{r}_{ER} = \max_{0 \leq k \leq k_{\max}} ER(k); \quad \hat{r}_{GR} = \max_{0 \leq k \leq k_{\max}} GR(k)$$

The estimation of the production function is basically the same as the within estimation in the panel data model. But we also need to estimate r common factors (note that we know r now). Their estimation problem can be solved by eigenvalue as suggested earlier by Lee(1991), Lee and Schmidt(1993) and Bai(2002). Therefore, the estimation of all parameters in the equation (1) can be conducted by the iteration method as follows;

$$\text{Step 1: } \hat{\beta} = (\hat{\beta}_1, \hat{\beta}_2)' = (\tilde{X}'\tilde{X})^{-1} \tilde{X}'\tilde{y}$$

$$\text{Step 2: } \hat{F} \text{ is } \sqrt{T} \text{ times the matrix of the eigenvectors corresponding to the } r \text{ largest eigenvalues of } \sum_{i=1}^N (\tilde{y}_i - \tilde{X}_i \hat{\beta})(\tilde{y}_i - \tilde{X}_i \hat{\beta})' / (NT)$$

$$\text{Step 3: } \hat{\lambda}_i = \hat{F}'(\tilde{y}_i - \tilde{X}_i \hat{\beta}) / T \quad \text{and} \quad \hat{\Lambda}' = (\hat{\lambda}_1, \dots, \hat{\lambda}_N)$$

$$\text{Step 4: } \hat{\beta} = (\hat{\beta}_1, \hat{\beta}_2)' = (\tilde{X}'\tilde{X})^{-1} \tilde{X}'(\tilde{y} - (I_N \otimes \hat{F})\text{vec}(\hat{\Lambda}'))$$

Step 5: Repeat Steps 2 – 4 until the value of $\hat{\beta}$ no longer changes.

Where $\tilde{y}_{it} = y_{it} - \bar{y}_i - \bar{y}_t + \bar{y}$, where $\bar{y}_i = T^{-1} \sum_{t=1}^T y_{it}$; $\bar{y}_t = N^{-1} \sum_{i=1}^N y_{it}$; $\bar{y} = (NT)^{-1} \sum_{i=1}^N \sum_{t=1}^T y_{it}$ and $\tilde{X} = (\tilde{X}'_1, \tilde{X}'_2, \dots, \tilde{X}'_N)'$ is defined similarly. $F = (f_1, \dots, f_T)'$ and $\Lambda' = (\lambda_1, \dots, \lambda_N)$.

Data: The sample data set consists of 54 countries and 58 years from 1950 to 2007. Therefore, it is a panel data set with N=54 and T=58. We derived it from Penn World Table 6.3. The real gross domestic product (Real GDP) is calculated by using real GDP per capita and population data. The Penn World Table contains the real GDP per capita variables at 2005 constant prices. Since the capital variable is not provided, I derive capital stock by using investment and the following the law of motion;

$$(7) \quad K_t = (1 - \delta)K_{t-1} + I_t$$

where δ is the depreciation rate and K_t, I_t are the amounts of capital stock and investment at time t , respectively. The depreciation rate is set to be equal to 0.04. To get the capital stock at time t , we have to identify the initial value of capital stock, say K_0 . Regarding the initial value problem, We also assumed that the growth rate of capital stock is equal to one of the investment at every time. It can be expressed as following :

$$(8) \quad \frac{K_t - K_{t-1}}{K_{t-1}} = \frac{I_t - I_{t-1}}{I_{t-1}} \text{ for all } t$$

Using the two equations in the above, the initial amount of capital stock is as following:

$$(9) \quad K_0 = \frac{I_1}{\gamma_0 + \delta}$$

where $\gamma_t = \frac{K_{t+1} - K_t}{K_t}$ is the growth rate of capital stock at time t , which is equal to one of the investment.

Results and Discussion

First of all, three of four information criteria proposed by Bai(2005) and Ahn and Horenstein (2013) estimate the number of factors=3 as seen Table 1. Table 2 presents the production function estimates. It reveals the world production function is constant returns to scale.

Table 1. The number of common factors

| Information Criterion | Bai(2005) | | Ahn and Horenstein (2013) | |
|-----------------------|-----------|----|---------------------------|----|
| | CP | IC | ER | GR |
| # of factors | 7 | 3 | 3 | 3 |

Table 2. Production function estimation

| | estimates | t-value |
|----------------|-----------|---------|
| constant | 0.022 | 11.38 |
| Labor | 0.586 | 7.53 |
| Capital | 0.427 | 19.78 |
| R ² | 0.994 | |

Figure 1 displays temporal variations in three common factors which have influenced outputs in the period of 1950-2007. All three factors have increased after 1990. Factor 1 increased until the mid-70s, but fell rapidly and made a deep valley. It began to climb again from 1990. It seems to be close to oil shock factor even though we cannot identify what it is. Factor 2 fell up to 1974 and rose from 1987. Factor 3 has increase continuously over the whole sample period, but its increasing speed became faster from the 1977. Our naïve conjecture suggests it may represent Information technology.

Our main focus is on the estimation of TFP. Figure 2 displays the temporal variations in TFP of Japan. It had increased dramatically during 1950-1975 and stayed high during 1976-1988, but it began to fall continuously after 1990.

Figure 1. Variations in three common factors

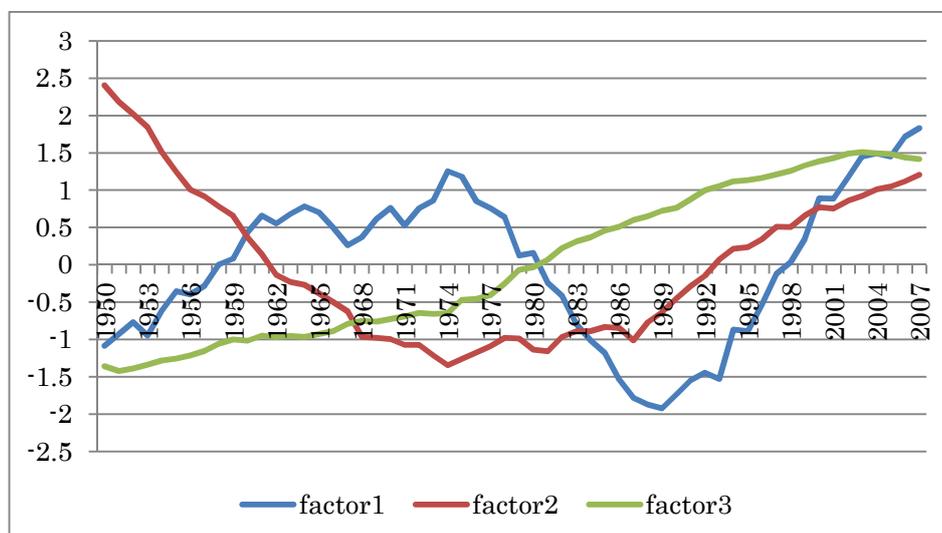
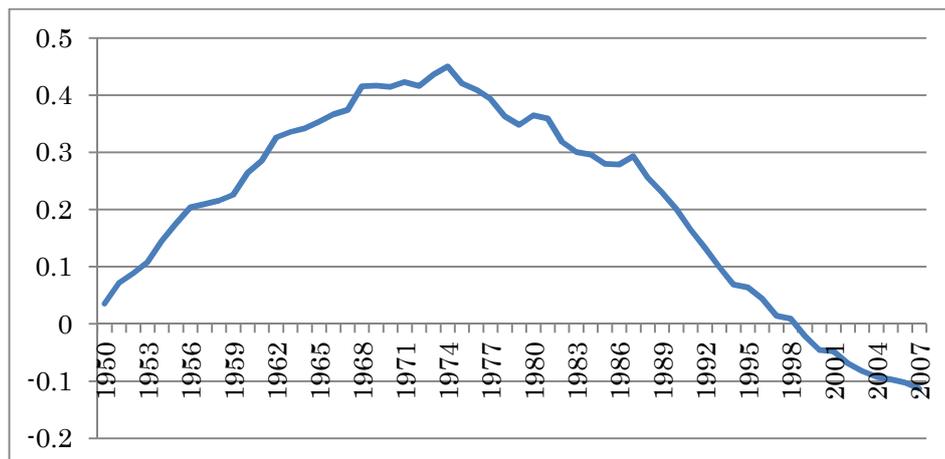


Figure 2. Temporal changes in TFP of Japan



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Retrospect and prospect of structural change in Korean agriculture: an analysis of agricultural census (2000, 2005, 2010)

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Abstract

Based on agricultural surveys from 2000 to 2010, we found that there is evidence of a growing gap among farmers due to differences in farm size and sales amount, which results from diversified management types coupled with the aging of farming population and specialization of farm management. The ratio of full-time farmers has decreased, whereas the ratio of farmers working a job off increased, implying structural change in farm management. An economy of scale was achieved in the cultivated area per farm household, while the ratio of rice farming decreased, and the cultivated crops have diversified into a wide range of crops that include specialty crops and flowering plants. As a result, the distribution of the sales scale of agricultural products, too, showed a widening gap while being diversified. While the farming population is aging there is a net inflow of farmers, mostly middle-aged men in their 40s and 50s.

Introduction

Agriculture and rural areas are being transformed with a new look. With the looming retirement of the baby-boom generation and a growing movement to find new possibilities in agriculture, the phenomenon of returning to rural areas and farming is evident.

In 2011, the total number of households that have either moved to rural areas or returned to farming was 10,503. Of these, the number of households that have returned to farming was 6,541, a 60.8% increase from the previous year and the largest increase in history. In addition, the resident registration data showed that there was a net inflow of people from urban areas to rural areas.

As the ratio of returning farmers to new farmers has increased sharply from 6% in 2001 to 30% in 2011, a new wave of changes are appearing at work places to increase efficiency and productivity, such as mechanization, information-ization, transformation of farmland ownership, and emergence of new business entities such as multi-functional cooperatives and the field-based business entity as opposed to the ownership-based business entity.

In order to properly respond to the rapidly-changing environment at home and abroad, improvements to agricultural structure, together with institutional reforms, are being made. For the development of effective policy means for local agriculture and monitoring, it is necessary to analyze changes in the production and management structure of Korean agriculture and provide a roadmap that can project future changes.

Methodology

Based on the statistics of a complete enumeration carried out in March 2012, when the 2010 Agriculture Census was published, this study conducted a comprehensive investigation of the direction in which Korean agriculture and rural areas have moved and the characteristics they possess. The investigation was done by comparing the agricultural structure of today to the agricultural structure of the early to mid-2000s.

Since the raw data of the agriculture census is the only material that can be used to identify any changes in the structure of Korean agriculture and the socio-economic structure of rural communities by region and farm household, the analysis and forecasting of changes in agriculture and rural society based on the census raw data are the stepping stone to doing further research on agriculture and rural society.

Results and Discussion

As for the transformation of the production and management structure of farms during the last 10 years from 2000 to 2010, it was revealed that there is a growing evidence of a gap among farmers due to differences in farm size and sales amount resulting from diversified management types coupled with the aging of farming population and specialization of farm management.

As for the total number of farm households and farm household members, there was a decrease of farm households from 1,383,000 households in 2000 to 1,177,000 households in 2010, and a decrease in farm household members from 4,851,000 persons in 2000 to 3,063,000 persons in 2010. What this means is that the average number of farm household members declined from 2.9 persons per household to 2.6 persons, and the average age of farm household members increased. As a result, the average age of farm owners increased from 58.3 years in 2000 to 62.3 years in 2010.

As industry structure indicators, the ratios of full-time farmers and farmers with two jobs show that the ratio of full-time farmers has decreased from 65.2% in 2000 to 53.3% in 2010, whereas the ratio of farmers working a job off the farm increased from 34.8% to 46.7%. What this shows is that the farm management structure has transformed into various forms over the past 10 years.

In the meantime, an economy of scale was achieved in the cultivated area per farm household as it increased by 5.9% from 1.16ha in 2000 to 1.23ha in 2010. As for the type of cultivated crop, the ratio of rice farming decreased from 56.9% in 2000 to 44.4% in 2010, and the cultivated crops have diversified into a wide range of crops that include specialty crops and flowering plants. As a result, the distribution of sales scale of agricultural products, too, showed a widening gap while being diversified.

The ratio of 'farm households with no sales' has increased to 38.0% in 2010 from a mere 6.5% in 2000, and the ratio of farm households that earned over 50 million won in sales surged from 2.2 percent in 2000 to 6.7% in 2010. In the case of farm households that have posted over 30 million won in sales, too, the ratio has increased significantly, which shows that the income gap has widened during the past 10 years.

In the meantime, it was revealed that while the farming population is aging there is a net inflow of farmers, mostly middle-aged men in their 40s and 50s. In the past 10 years, new farmers or farm successors were mostly men in their 30s and 40s, and there was no change with respect to farmers in their 50s. In the case of farmers aged 60 years or more, the farming population is interpreted to have dwindled through retirement or farm succession.

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Financial deregulation and allocative efficiency in banking

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Abstract

This study examines the comparative efficiency of banks when they fail to minimize costs. We use an extension of the general framework after Lau and Yotopoulos (1971) to model allocative inefficiency in a non-competitive environment. We use the generalized translog cost function to compute relative and absolute price inefficiency. We apply this model to a unique data of 45 commercial banks from Pakistan for the period 1991 to 2005. To study the temporal relationship, we divide the sample into pre-deregulation (1991-96) and post-deregulation (1997-05) phases. The joint estimation of the equation system for the generalized translog model is achieved by Iterated SUR model. Our results provide strong evidence of allocative inefficiency, which confirms that Pakistani banks failed to minimize costs due to sub-optimal allocation of banking inputs. Estimates of time variant allocative inefficiency suggest that over-utilization of banking inputs gradually comes closer to unity or to a point where there is absence of allocative inefficiency. These results confirm that deregulation policies in Pakistan's banking sector have been partly successful in reducing mis-allocation of banking inputs.

Introduction

Inappropriate regulatory regimes and controls in the financial sector often promote sub-optimal allocation of banking resources due to which the banking institutions may not maximize profits or minimize costs. Financial institutions in most of the developing countries including Pakistan have been heavily regulated. For example, a policy of providing cheap credit to target industries and sectors, or making political appointments as part of the agenda of the ruling political party not only results in price distortions, but also enormously reduces the profitability of the banks beneath their full potential. Such market imperfections are likely to significantly alter the production behavior of these banking institutions leading to over- or under-utilization of key financial sector inputs.

The existing literature on productive efficiency in the banking sector often ignores that lack of effective competition and excessive regulatory regimes may lead to sub-optimal utilization of banking resources [see among others, Berger and Mester (1997), Humphrey and Pulley (1997), Bhattacharyya and Kumbhakar (1997), Berger and Patti (2006) Patti and Hardy (2006) and Kukenova (2011)].

Little is known about the nature of input use inefficiencies, often termed as allocative or price inefficiencies, in a parametric framework. This study underscores that regulatory frameworks and controls often promote sub-optimal allocation of banking resources due to which banking institutions may not maximize profits or minimize costs. Financial institutions in Pakistan have been heavily regulated, which may have significantly altered the production behavior of these banking institutions leading to over- or under-utilization of key financial sector inputs.

Methodology

The existing literature on productive efficiency in the banking sector often ignores that lack of effective competition and excessive regulatory regimes may lead to sub-optimal utilization of banking resources (Humphrey and Pulley, 1997; Bhattacharyya and Kumbhakar, 1997; Huang and Wang, 2003). We ask the question whether a policy of financial deregulation and competition indeed influences the patterns of allocative or price inefficiency. To answer this question, we specify a parametric model, originally

formalized by Lau and Yotopolous (1971).

We use a translog shadow cost function and associated cost shares in our model estimation. In order to compare allocative inefficiency by bank ownership, we assume that banks face same production technology. This assumption allows us to pool data of state-owned (S), private (P) and foreign banks (F). However, to obtain inefficiency parameters by ownership type, we interact cost and share equations with three dummy variables DS, DP and DF indicating foreign, private and state-owned banks.

The system of estimating equations is provided by the actual cost and share equations given by:

$$\ln C = D_k \left\langle \alpha_0 + \sum_i \alpha_i \ln(h_i w_i) + \beta_q \ln q + \frac{1}{2} \sum_i \sum_j \alpha_{ij} \ln(h_i w_j) \ln(h_j w_j) + \frac{1}{2} \beta_{qq} (\ln q)^2 \right. \\ \left. + \sum_i \gamma_{iy} \ln(h_i w_i) \ln y + \beta_{qt} \ln(q)t + \alpha_{it} \cdot t + \sum_i \alpha_{it} \ln(h_i w_i) t \right. \\ \left. + \ln \left\{ \sum_i h_i^{-1} \left[\alpha_i + \alpha_{it} \cdot t + \sum_j \alpha_{ij} \ln(h_j w_j) + \gamma_{iq} \ln q \right] \right\} \right\rangle \quad k = S, P, F \quad (1)$$

$$\tilde{s} = \frac{w_i x_i}{C} = D_k \left\langle \frac{\left[\alpha_i + \alpha_{it} t + \sum_j \alpha_{ij} \ln(h_j w_j) + \gamma_{iq} \ln q \right] h_i^{-1}}{\sum_i \left[h_i^{-1} \left\{ \alpha_i + \alpha_{it} t + \sum_j \alpha_{ij} \ln(h_j w_j) + \gamma_{iq} \ln q \right\} \right]} \right\rangle, \quad i = 1, \dots, n; \quad k = S, P, F \quad (2)$$

The proportionality term h indicates divergence from the efficient behavior. Relative price efficiency holds if $h_i/h_j = 1$, while the conditions $h_i/h_j > 1$, and $h_i/h_j < 1$ are regarded as divergence from the cost minimization behavior, indicating under-utilization and over-utilization of h_i relative to h_j , respectively. We normalize the distortion parameter for labor equal to unity, $h_L = 1$, which implies that all other h_i 's are measured relative to h_L . Following Oum and Zhang (1996), we incorporate time variant allocative efficiency by introducing time trend in distortion parameter (i.e., $h_i = k_{i0} + k_{it} \phi(t)$).

Results and Discussion

We jointly estimate the equation systems for the generalized translog cost function given by Zellner's seemingly unrelated regression method along with the assumptions therein about the error terms, by imposing linear homogeneity in prices and symmetry restrictions, and by normalizing the value of labor input to unity. We employ the data of individual banks for the period 1991-2005. We include an aggregate output (q) which includes loan & advances and investments; three input categories are labor (L), deposits (D) and operating cost (O) in our model. To construct the total output, we aggregate investments and loans & advances by using the Divisia indexing procedure. We use three input prices; wages (W_L), interest expenses (W_D) and operating costs (W_O) is estimation to estimation shadow cost function.

The parameter estimates suggest that the cost functions, measured at the point of approximation, shift outward but remain insignificant in our full sample. In general, the banking industry in Pakistan fails to minimize costs subject to market prices of the banking inputs. The log-likelihood ratio test strongly rejects the null hypothesis of relative price (allocative) efficiency with respect to all three inputs. These results entail that commercial banks in Pakistan were employing factors of production sub-optimally as the ratio of actual and shadow prices depart significantly.

To provide further insights, we conduct tests of pair-wise relative price efficiency between each pair of input for the full sample and for the sample of banks by ownership. The results indicate that in general banks fail to minimize costs. We note that on average, Pakistani commercial banks under-utilize deposits and operating cost relative to labor. Banks employ operating cost and deposits where the effective price ratio is 1.61 times that of the cost minimizing input mix. In other words, the marginal rate of technical substitution of operating cost with deposits is higher than its ratio of input prices.

Moreover, a comparison between operating cost and labor indicates that banks also use too much labor cost relative to operating cost; the effective price ratio between operating cost and labor is 4.07. Thus banks fail to cut their labor expenses relative to deposits and operating cost. Deposits are also under-utilized relative to labor where the effective price ratio is 2.78 if compared with the cost minimizing input mix. The implication of these results is that operating cost is the most inefficiently used (under-utilized) factor while deposits are the second most inefficiently used factor of production by Pakistani banks. Likewise, labor is the most over-utilized resource by the banks. The observed over-utilization of labor relative to all other factors (deposits and operating cost) appears to be the consequence of over-staffing due to political appointments in state-owned banks.

Tests of pair-wise relative efficiency by bank ownership generally corroborate the findings of the estimates of full sample, except for state-owned banks where deposits are over-utilized relative to labor. Although, under-utilization of operating cost in state-owned banks seems many times more than that of other ownership categories, yet inefficiency estimate of operating cost remains insignificant. This severe under-utilization of operating cost relative to labor in state-owned banks supports the bad management hypothesis, often attributed to interference of labor unions in decision-making of banks in the past. Further, over-utilization of deposits relative to labor in state-owned banks may also be the result of poor management of resources to produce banking services efficiently.

In contrast to the results of the full sample, operating cost is over-utilized relative to deposits both in foreign and privately-owned banks. The effective price ratios are 0.68 and 0.65 for these banks, respectively, indicating that over-utilization is more severe in private banks than foreign banks. Similarly, in state-owned banks under-utilization of operating cost relative to deposits far exceeds that of private and foreign banks. It appears that state-owned banks were not diversifying their services and rather were depending heavily on deposit creation, which ultimately, resulted in amplified non-performing loans with increased cost of intermediation. Foreign banks were quite successful in making optimal allocation of deposits in relation to operating cost vis-à-vis the cost-efficient input mix as indicated by their estimate closer to unity. Hence under-utilization of operating cost versus deposits and deposits relative to labor is more severe in private relative to foreign banks.

These ratios come down significantly in post-1996 period for state-owned banks, indicating that under-utilization of operating cost has been reduced by about 86% in state-owned banks in post-reform period. Like operating cost, under-utilization of deposits relative to labor also shows similar trend in different bank ownership categories. Under-utilization of deposits in state-owned banks was found far exceeding vis-à-vis foreign and private banks.

In sum, these results show that financial sector reforms enabled these banks to exploit the opportunities of reducing cost of production partially.

Conclusion

We model allocative inefficiency in a non-competitive environment for the banking industry in Pakistan by using an extension of the general framework of the model first introduced by Lau and Yotopoulos (1971) to compute relative and absolute price inefficiency in Indian agriculture. We estimate shadow cost function for both time invariant as well as time variant models of price inefficiencies. The joint estimation of the equation

system for the generalized translog cost function is achieved by Zellner's seemingly unrelated regression procedure, which confirms that banks in Pakistan fail to minimize costs because they sub-optimally use banking inputs due to which the ratios of actual and effective prices depart significantly.

The results suggest that on average, deposits and operating costs are under-utilized relative to labor while operating costs are also under-utilized relative to deposits. In other words, operating cost is the most inefficiently used (under-utilized) factor of production. The observed over-utilization of labor relative to all other factors (deposits and operating cost) appears to be the consequence of over-staffing due to political appointments in state-owned banks. Severe under-utilization of operating cost relative to labor and deposits in state-owned banks supports the bad management hypothesis, often attributed to interference of labor unions in decision-making of banks in the past. Further, over-utilization of deposits relative to labor in state-owned banks may also be the result of poor management of resources to produce banking services efficiently.

Estimates of time variant allocative inefficiency suggest that Pakistani banks generally failed to reduce relative inefficiency of factor use even in post-deregulation period since these ratios kept on departing further from unity. State-owned banks experience a significant improvement in resource allocation as their relative inefficiency declines sharply in post-1996 period. Considerable downsizing in state-owned banks in post-1996 period might have brought down relative price ratios of operating cost in these banks.

In sum, this study supplements the existing literature and provides further insights to policy makers and researchers, particularly those who are engaged in decision-making in the banking sector of the developing countries. While we note that corrections in allocative inefficiency remain partial in our analysis, it warrants further investigation to probe factors leading to the observed results.

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Does openness lead to higher growth: insights from Indian manufacturing

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Abstract

After following inward oriented economic policies for nearly four decades, India opened up to international trade and investment in early 1990s. The reduction of trade barriers along with simplification of foreign direct investment regime significantly increased the global integration of Indian economy in general and manufacturing in particular. The increase in global integration also coincided with an impressive increase in manufacturing growth. The manufacturing output growth which declined soon after the implementation of reform started improving toward the end of year 2001 and by the end of 2002, Indian manufacturing embarked on one of its best growth cycle ever. The growth momentum was sustained till late 2007 when global melt down plugged it down to negative territory. However, despite hostile global environment the Indian organized manufacturing sector did manage to grow at an average annual rate of shade below 9 percent during 2000-01 to 2009-10, which, on a decadal basis, is the highest rate of growth achieved by Indian manufacturing during last sixty years. Given this impressive growth performance, it seems that the openness has benefited the manufacturing sector. However, this hypothesis needs proper empirical scrutiny. This paper is a moderate attempt in this direction. Using a panel of 47 manufacturing sectors, we explore the association between growth and various indicators of openness or internationalization in an endogenous growth model framework. Our results show that openness does lead to higher growth. We found that imports and FDI works as effective vehicles of international technology diffusion and hence allow the domestic firms and industries to move closer to the global technology frontier. Our results are robust to various econometric tests.

Introduction

The role of trade and foreign investment policy in economic development has been one of the most debated issues in the literature of development economics. For the last six decades, researchers have continuously confronted each other on the issue of an appropriate foreign trade and investment policy for economic growth. While structural economists highlighted inward looking economic policy as an essential prerequisite for structural shift of economy from agriculture to industry, the neoclassical thinkers opposed it on the ground of allocative efficiency. The neo-classical trade theory provided a convincing proposition that trade leads to a higher level of productivity through improved allocation of resources. However, it remained unclear about the effect of increased international integration on growth in long run as opening up is just a onetime event.

The emergence of new growth theory provided a better framework to understand the nexus between growth and openness. Using the endogenous growth models of Robert Lucas (1988), Grossman and Helpman (1991), Romer (1994) and Young (1991), growth theorists have provided a range of formal models in which international trade and foreign investment contribute to economic growth by increasing the variety and quality of intermediate inputs, increasing the diffusion of knowledge, amplifying the learning-by-doing effects and increasing the size of the markets. By and large, these models predict that trade and foreign investment liberalization contribute to economic growth, positively, through effects on productivity growth.

Despite this apparent tilt of theoretical understanding in favor of outward orientated growth policies, the empirical findings on the association between openness and growth have remained mixed. There are a large number of cross country studies which have shown a positive association between outward orientation and growth. However, an equal number of studies have shown that there is no significant relation between outward orientation and economic growth.

In analysing the relationship between outward orientation and growth, the Indian manufacturing sector provides an interesting case study. In 1991, India initiated a comprehensive program of economic liberalization and since then has implemented a wide range of trade, foreign investment and exchange rate related reforms. These policies changes increased the global integration of Indian economy in general and manufacturing in particular.

The inflow as well as outflow of FDI increased many folds, while the trade of manufactured goods spiked from US\$19 billion in 1990-91 to around US\$200 billion in 2007-08. Given the acute global financial crisis which prevailed during 2008-09 and 2009-10, these two years are termed as abnormal. During these two years, trade volumes of Indian manufacturing witnessed a contraction and therefore we have restricted our econometric analysis to the period from 1990-91 to 2007-08 only.

In line with these changes, the manufacturing growth has also picked up. The manufacturing output growth which declined soon after the implementation of economic reforms started improving toward the end of year 2001 and by the end of 2002, Indian manufacturing embarked on one of its best growth cycle ever. The growth momentum was sustained till late 2007 when global melt down pull it down to negative territory (Kumar and Vashisht 2009).

However, despite a hostile global environment, the Indian organized manufacturing sector did manage to grow at an average annual rate of shade below 9 percent during 2000-01 to 2009-10, which, on a decadal basis, is the highest rate of growth achieved by Indian manufacturing during last sixty years. Given this impressive growth performance, it seems that openness has benefited the manufacturing sector. However, this hypothesis needs proper empirical scrutiny. Against this backdrop, this paper constructs an index of international openness of 47 Indian manufacturing sub sectors and attempts to analyze its relation with growth.

Methodology

This paper employs panel data to analyze the association between total factor productivity of Indian manufacturing sectors and various indicators of openness. There are two most common models used for the estimation of a panel specification, fixed effect model and random effect model. Both fixed and random effect models have their own advantages and disadvantages. While fixed effect model is widely known for providing consistent estimates, random effect model is known to provide the more efficient estimates.

Statistically, fixed effects are always a reasonable thing to do with panel data (as they always give consistent results) but they may not be the most efficient model to run. Random effects gives better P-values as they are a more efficient estimator, so one should run random effects if it is statistically justifiable to do so. Thus there is a difficult choice one has to make between random and fixed effect model. We experimented with fixed and random effect model and employed hausman test to select the final model specification. Apart from model selection, endogeneity of indicators related to opens is another issue of concern. In order to mitigate this problem we use 2SLS IV technique to estimate our model.

Discussion

The analysis suggests that the overall index of outward orientation is positively associated with the growth rate of total factor productivity and this relation is robust to various econometric tests. However, the association between growth and different indicators of outward orientation is not the same. We found that import penetration has a positive and significant relation with growth, while export orientation is not significantly associated with TFP growth. The lack of association between exports and TFP growth underlines the absence of any learning by exporting, which has been the case in most of the recent studies.

Among the indicators related to foreign investment, we found strong evidence of positive horizontal spillover from inward FDI, while the OFDI has no significant relation with growth. Our analysis further shows that the origin of trade does matter for growth. In line with standard trade theory, we found that imports originating from developed countries works as a vehicle for technology diffusion and leads to higher TFP growth. Against this, the imports originating from developing countries are not found to be associated with any such gain.

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Financial globalization: evidence for increments in economic growth and income inequality

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Abstract

In recent decades, globalization is increased. Nations are more closely inter linked, cross country capital flow and investment is increased. It is a very common hypothesis among economists that there is a relationship between openness to capital market and economic growth. Empirical evidence is found both in favor of and against this hypothesis. This study uses the data from 1991 to 2010 to estimate GMM Dynamic Panel model for 60 countries 21 of which are developed and 40 are developing and finds a positive relationship between economic growth and financial globalization. In today's world evidence for growth is not that significant without taking care of development parameters. This study also finds a positive relationship between income inequality and financial globalization.

Introduction

Globalization is essentially a process of integration of the economy with developed stages of economic opening of national borders, growing economic interdependence and deepening economic integration. Financial globalization and financial integration are in principle different concepts. Financial globalization is an aggregate concept that refers to rising global linkages through cross-border financial flows. Financial integration refers to an individual country's linkages to international capital markets. Clearly, these concepts are closely related. For instance, increasing financial globalization is associated with rising financial integration on average. In this paper, the two terms are used interchangeably (Prasad et al. 2003).

The main purpose of this paper is to provide an assessment of empirical evidence on the effects of financial globalization. The paper will focus on three related questions: (i) does financial globalization promote economic Growth? (ii) Does financial globalization promote Inequality? (iii) Does Growth is accompanied by Inequality?

Methodology

In order to find out these answers, I have included a dataset of 20 years, from 1991-2010. It covers 21 developed and 40 developing countries. The structure of this paper is as follows; in the first section, I present the empirical strategy. The second part is to present and discuss the empirical results for the growth and inequality models. In the third part I present a number of thoughts and reasons behind the empirical results.

I use Arellano-Bover/Blundell-Bond GMM dynamic panel estimation to estimate growth and Inequality models separately. The Growth Model used is seen in the next page.

Discussion

The estimation of the growth model shows that components of globalization have a significant impact on growth. Growth is increased by 619.0469 times by unit change in financial globalization and significant on %. Results are robust and confirmed at 2% significant level.

The estimation of the inequality model shows that components of globalization have a significant impact on inequality. Inequality is increased by 0.3140982 times by unit change in Financial Globalization

and is significant at 1%. Results are robust and confirmed at 10% significant level.

$$\begin{aligned} \text{Real GDP per capita} = & \alpha_0 + \alpha_1(\text{Financial Integration}) + \\ & \alpha_2(\text{Investment ratio}) + \alpha_3(\text{inflation}) + \alpha_4(\text{Population growth}) + \\ & \alpha_5(\text{credit to private sector}) + \alpha_6(\text{ICT capital ratio}) + \\ & \alpha_7(\text{service sector employment}) + \varepsilon \end{aligned}$$

Inequality model

$$\begin{aligned} GINI = & \alpha_0 + \alpha_1 \left(\frac{\text{Export}}{GDP} \right) + \alpha_2 \left(\frac{\text{Import}}{GDP} \right) + \alpha_3 (\text{Tariff}) + \alpha_4 \left(\frac{\text{Liabilities}}{GDP} \right) \\ & + \alpha_5 \left(\frac{\text{Assets}}{GDP} \right) + \alpha_6 (\text{Financial integration}) \\ & + \alpha_7 \left(\frac{\text{ICT capital}}{\text{capital}} \right) + \alpha_8 \left(\frac{\text{Credit}}{GDP} \right) \\ & + \alpha_9 \left(\frac{\text{Employment in agriculture}}{\text{Employment}} \right) \\ & + \alpha_{10} \left(\frac{\text{Employment in industries}}{\text{Employment}} \right) + \varepsilon \end{aligned}$$

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Growth and inequality in a small-open tourist economy

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Abstract

This study is concerned with the effects of tourism on economic development. We build an economic growth model of a small open country with tourism. The heterogeneous-households economy consists of one service sector and one industrial sector. International tourists and domestic residents consume non-traded goods and services. The land is distributed between housing and supply of services. The production side is the same as in the neoclassical growth theory, while we use an alternative utility function to determine behavior of the household. We demonstrate that there is a unique stable equilibrium point. We simulate the motion of the national economy and examine effects of changes in some parameters. The comparative dynamic analysis provides some important insights.

Introduction

This study is concerned with the relation between tourism and economic growth. Tourism goods are not-tradable as their consumption is at the same location. Nevertheless, people in other regions can visit the spot. Tourism converts non-traded goods into tradable ones. In some open economies, like Singapore and Hong Kong, foreign tourism is an important source of income and employment. There is a close interdependence between tourism and other economic activities.

This study examines the dynamic interdependence in a general equilibrium framework. This paper introduces heterogeneous households into the model by Zhang (2013), in which the population is homogeneous. Section 2 defines the basic model. Section 3 shows some features of the model. Section 4 concludes the study.

Methodology

The model is basically the same as the growth model with tourism by Zhang (2013), except the population consists of any number of types of households. We consider a small-open economy that produces two goods: an internationally traded good (called industrial good) and a non-traded good (called services). Domestic households consume both goods, while foreign tourists consume only services. It is assumed for analytical simplicity that tourists do not consume traded goods. There is a single good, called industrial good, in the world economy and the price of the industrial good is unity. Capital depreciates at a constant exponential rate, δ_k , which is independent of the manner of use. We assume that the economy is too small to affect the world interest rate. The households hold wealth and land and receive income from wages, land rent, and interest payments of wealth. Land is only for residential and service use. Technologies of the production sectors are characterized of constant returns to scale. All markets are perfectly competitive and capital and labor are completely mobile between the two sectors. Capital is perfectly mobile in international market and we neglect possibility of emigration or/and immigration.

The population is classified into J groups, each group with fixed population, \bar{N}_j . Let $T_j(t)$ stand for the work time of a representative household of group j and $N(t)$ for the flow of labor services used at time t for production. We assume that labor is always fully employed. We have:

$$N(t) = \sum_{j=1}^J h_j T_j(t) \bar{N}_j, \quad (1)$$

where h_j are the levels of human capital of group j .

Industrial sector: The industrial sector uses capital and labor as inputs. We use subscript index, i and s , to denote respectively the industrial and service sectors. Let $K_j(t)$ and $N_j(t)$ stand for the capital stocks and labor force employed by sector j , $j = i, s$, at time t . We use $F_j(t)$ to represent the output level of sector j . The production function of the industrial sector is

$$F_i(t) = A_i K_i^{\alpha_i}(t) N_i^{\beta_i}(t), \quad \alpha_i, \beta_i > 0, \quad \alpha_i + \beta_i = 1, \quad (2)$$

where A_i , α_i , and β_i are parameters. Markets are competitive; thus labor and capital earn their marginal products, and firms earn zero profits. The rate of interest, r^* , is fixed in international market. The wage rate, $w(t)$, is determined in domestic market. The marginal conditions are

$$r_\delta = \alpha_i A_i k_i^{-\beta_i}(t), \quad w(t) = \beta_i A_i k_i^{\alpha_i}(t), \quad (3)$$

where $k_i(t) \equiv K_i(t)/N_i(t)$ and $r_\delta \equiv r^* + \delta_k$. As r^* is fixed, from (3) we have:

$$k_i = \left(\frac{\alpha_i A_i}{r_\delta} \right)^{1/\beta_i}, \quad w = \beta_i A_i k_i^{\alpha_i}. \quad (4)$$

Hence, we can treat k_i and w as functions of r^* and A_i .

Service sector:

The service sector employs three inputs, capital $K_s(t)$, labor force $N_s(t)$, and land $L_s(t)$, to produce services. We specify the production function as

$$F_s(t) = A_s K_s^{\alpha_s}(t) N_s^{\beta_s}(t) L_s^{\gamma_s}(t), \quad \alpha_s, \beta_s, \gamma_s > 0, \quad \alpha_s + \beta_s + \gamma_s = 1, \quad (5)$$

where A_s , α_s , β_s , and γ_s are parameters. We use $p(t)$ and $R(t)$ to represent respectively the price of services and the land rent. The marginal conditions are

$$r_\delta = \alpha_s A_s p(t) k_s^{\alpha_s-1}(t) l_s^{\gamma_s}(t), \quad w = \beta_s A_s p(t) k_s^{\alpha_s}(t) l_s^{\gamma_s}(t), \quad R(t) = \gamma_s A_s p(t) k_s^{\alpha_s}(t) l_s^{\gamma_s-1}(t), \quad (6)$$

Where:

$$k_s(t) \equiv \frac{K_s(t)}{N_s(t)}, \quad l_s(t) \equiv \frac{L_s(t)}{N_s(t)}.$$

From (6) we imply:

$$k_s = \frac{\alpha_s w}{\beta_s r_\delta}. \quad (7)$$

Hence, we can treat k_s as a function of r^* and A_s .

Full employment of capital and labor: The total capital stocks utilized by the small-open economy, $K(t)$, is distributed between the two sectors. The capital stock utilized by the economy is not necessary to be owned by domestic residents. Full employment of labor and capital implies

$$K_i(t) + K_s(t) = K(t), \quad N_i(t) + N_s(t) = N(t).$$

The above equations also imply:

$$k_i N_i(t) + k_s N_s(t) = K(t),$$

$$N_i(t) + N_s(t) = N(t). \quad (8)$$

In (8), k_i and k_s , are uniquely determined by the rate of interest which is fixed in international market. Solving (8):

$$N_i(t) = (K(t) - k_s N(t)) k_0, \quad N_s(t) = (k_i N(t) - K(t)) k_0, \quad (9)$$

where $k_0 \equiv (k_i - k_s)^{-1}$. We require $k_0 \neq 0$. The labor distribution is uniquely determined by the total capital

utilized by the economy.

Demand function of foreign tourists: We use $y_f(t)$ to denote for the disposable income of foreign countries. We use an iso-elastic tourism demand function as follows:

$$D_T(t) = a(t)y_f^\phi(t)p^{-\varepsilon}(t), \quad (10)$$

where ϕ and ε are respectively the income and price elasticities of tourism demand.

Behavior of domestic households: Let L and $R(t)$ respectively stand for the fixed land and land rent. The total land rent income is $LR(t)$. The land rent income per household $\bar{r}(t)$ is:

$$\bar{r}(t) = \frac{LR(t)}{\bar{N}}, \quad (11)$$

where \bar{N} is the total population

$$\bar{N} = \sum_{j=1}^J \bar{N}_j.$$

Households choose lot size, consumption levels of industrial goods and services, and save. The current income is

$$y_j(t) = r^* \bar{k}_j(t) + h_j w T_j(t) + \bar{r}(t), \quad (12)$$

where $r^* \bar{k}_j$ is the interest income, $h_j w T_j(t)$ the wage income, and $\bar{r}(t)$ the land rent income. We consider that the disposable income consists of the current income and the value of the household's wealth, that is

$$\hat{y}_j(t) = y_j(t) + \bar{k}_j(t). \quad (13)$$

The disposable income is used for saving and consumption. Let $T_{hj}(t)$ stand for the leisure time at time t and T_0 the (fixed) available time for work and leisure. The time is distributed between leisure and work

$$T_j(t) + T_{hj}(t) = T_0. \quad (14)$$

The budget constraint is:

$$R_j(t)l_j(t) + p(t)c_{sj}(t) + c_{ij}(t) + s_j(t) = \hat{y}_j(t). \quad (15)$$

This equation implies that the household's disposable income is entirely distributed between the consumption and saving. Inserting (14) and (13) in (15) implies

$$w_j T_{hj}(t) + R_j(t)l_j(t) + p(t)c_{sj}(t) + c_{ij}(t) + s_j(t) = \bar{y}_j(t), \quad (16)$$

in which $w_j \equiv h_j w$ and

$$\bar{y}_j(t) \equiv (1 + r^*)\bar{k}_j(t) + w_j T_0 + \bar{r}(t). \quad (17)$$

We assume that utility level, $U_j(t)$, of the household is dependent on $T_{hj}(t)$, $l_j(t)$, $c_{sj}(t)$, $c_{ij}(t)$ and $s_j(t)$ as follows:

$$U_j(t) = \theta_j T_{hj}^{\sigma_{0j}}(t) l_j^{\eta_{0j}}(t) c_{sj}^{\gamma_{0j}}(t) c_{ij}^{\xi_{0j}}(t) s_j^{\lambda_{0j}}, \quad \sigma_{0j}, \eta_{0j}, \gamma_{0j}, \xi_{0j}, \lambda_{0j} > 0,$$

In which, σ_{0j} , η_{0j} , γ_{0j} , ξ_{0j} , and λ_{0j} are a typical household's utility elasticity of leisure time, lot size, services, industrial goods, and saving. We call σ_{0j} , η_{0j} , γ_{0j} , ξ_{0j} , and λ_{0j} household j 's propensities to leisure time, to consume housing, to consume services, to consume industrial goods, and to hold wealth, respectively. Maximizing $U_j(t)$ subject to the budget constraint implies:

$$T_{hj}(t) = \frac{\sigma_j \bar{y}_j(t)}{w_j}, \quad l_j(t) = \frac{\eta_j \bar{y}_j(t)}{R(t)}, \quad c_{sj}(t) = \frac{\gamma_j \bar{y}_j(t)}{p(t)}, \quad c_{ij}(t) = \xi_j \bar{y}_j(t), \quad s_j(t) = \lambda_j \bar{y}_j(t), \quad (18)$$

Where:

$$\sigma_j \equiv \rho_j \sigma_{0j}, \quad \gamma_j \equiv \rho_j \gamma_{0j}, \quad \xi_j \equiv \rho_j \xi_{0j}, \quad \lambda_j \equiv \rho_j \lambda_{0j}, \quad \rho_j \equiv \frac{1}{\sigma_{0j} + \eta_{0j} + \gamma_{0j} + \xi_{0j} + \lambda_{0j}}.$$

According to the definition of $s_j(t)$, the wealth accumulation of household j is:

$$\dot{\bar{k}}_j(t) = s_j(t) - \bar{k}_j(t). \quad (19)$$

This equation implies that the change in wealth is the saving minus dissaving.

Full use of land and demand of and supply for services: Land is used for the residential use and service production.

$$\sum_{j=1}^J l_j(t) \bar{N}_j + L_s(t) = L. \quad (20)$$

The equilibrium condition for services is:

$$\sum_{j=1}^J c_{sj}(t) \bar{N}_j + D_T(t) = F_s(t). \quad (21)$$

The national wealth is equal to the sum of the wealth owned by all the households in the country

$$\sum_{j=1}^J \bar{k}_j(t) \bar{N}_j = \bar{K}(t). \quad (22)$$

Trade balance: We use $E(t)$ to denote the balance of trade. We have:

$$E(t) = r^* (\bar{K}(t) - K(t)). \quad (23)$$

We have thus built the dynamic growth model with endogenous wealth, consumption, and tourism.

The Dynamics of the National Economy: The following lemma shows how to follow the motion of the dynamic system.

Lemma 1: The motion of the economic system with J types of households is governed the following J nonlinear differential equations:

$$\begin{aligned} \dot{R}(t) &= \Omega_1(R(t), \{\bar{k}_j(t)\}), \\ \dot{\bar{k}}_j(t) &= \Omega_j(R(t), \{\bar{k}_j(t)\}), \quad j = 2, \dots, J, \end{aligned} \quad (24)$$

where Ω_j are functions of $R(t)$ and $\{\bar{k}_j(t)\} = (\bar{k}_2(t), \dots, \bar{k}_J(t))$ given in the appendix. We determined k_i , w , and k_s as functions of r^* and A_i . All the other variables are given as functions of $R(t)$ and $\{\bar{k}_j(t)\}$ by the following procedure: $\bar{k}_1(t)$ by (A13) $\rightarrow \bar{y}(t)$ by (A4) $\rightarrow p(t)$ by (A10) $\rightarrow T_j(t)$ by (A15) $\rightarrow T_{hj}(t)$, $l_j(t)$, $c_{ij}(t)$, $c_{sj}(t)$, $s_j(t)$ by (18) $\rightarrow N(t)$ by (A16) $\rightarrow K(t)$ by (A12) $\rightarrow K_i(t)$ and $K_s(t)$ by (A1) $\rightarrow N_i(t)$ and $N_s(t)$ by (9) $\rightarrow D_T(t)$ by (10) $\rightarrow \bar{K}(t)$ by (22) $\rightarrow L_s(t)$ by (A2) $\rightarrow F_i(t)$ by (2) $\rightarrow F_s(t)$ by (5).

Lemma 1 shows how to follow the motion of the economic system once we know the initial conditions of the system and the rate of interest in the global market. Following the procedure with portable computer, we can illustrate the motion of the system. For simulation, we specify the parameter values:

$$\begin{aligned} \bar{N}_1 = 2, \quad \bar{N}_2 = 3, \quad \bar{N}_3 = 5, \quad h_1 = 3, \quad h_2 = 1, \quad h_3 = 0.5, \quad A_i = 1.5, \quad A_s = 1, \quad \alpha_i = 0.3, \quad \alpha_s = 0.3, \\ \beta_s = 0.6, \quad r = 0.06, \quad T_0 = 1, \quad L = 10, \quad a = 1, \quad y_f = 4, \quad \phi = 1.8, \quad \varepsilon = 1.2, \quad \lambda_{01} = 0.8, \quad \xi_{01} = 0.15, \\ \gamma_{01} = 0.06, \quad \eta_{01} = 0.08, \quad \sigma_{01} = 0.2, \quad \lambda_{02} = 0.7, \quad \xi_{02} = 0.15, \quad \gamma_{02} = 0.07, \quad \eta_{02} = 0.06, \\ \sigma_{02} = 0.22, \quad \lambda_{03} = 0.65, \quad \xi_{03} = 0.18, \quad \gamma_{03} = 0.08, \quad \eta_{03} = 0.05, \quad \sigma_{03} = 0.25, \quad \delta_k = 0.05. \end{aligned} \quad (25)$$

We choose the initial conditions:

$$R(0) = 0.6, \quad \bar{k}_2(0) = 3.5, \quad \bar{k}_3(0) = 2.1.$$

We plot the motion of the economic system in Figure 1. In Figure 1

$$Y(t) \equiv F_i(t) + p(t)F_s(t) + \sum_{j=1}^J l_j(t)\bar{N}_j,$$

stands for the national product.

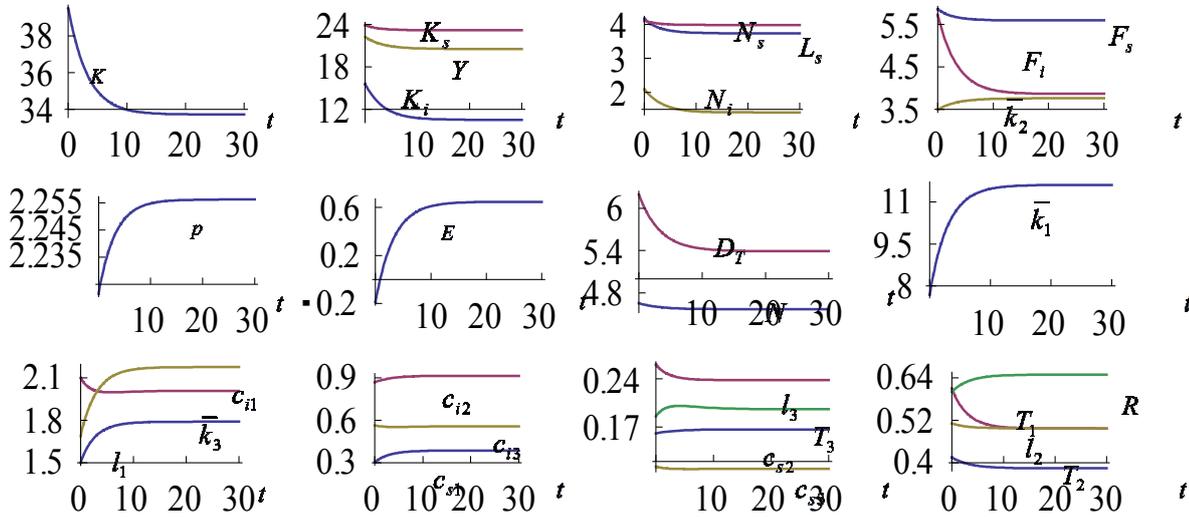


Figure 1. The Motion of the Economic System

From Figure 1, we see that the system tends to become stationary in the long term. Simulation identifies the following equilibrium values of the variables:

$$\begin{aligned} Y &= 20.54, \quad K = 33.72, \quad \bar{K} = 44.52, \quad N = 5.39, \quad E = 0.65, \quad D_T = 4.57, \quad R = 0.65, \quad p = 2.26, \\ F_s &= 5.59, \quad F_i = 3.86, \quad N_i = 1.41, \quad N_s = 3.98, \quad K_i = 10.54, \quad K_s = 23.18, \quad L_s = 3.74, \quad \bar{k}_1 = 11.60, \\ \bar{k}_2 &= 3.76, \quad \bar{k}_3 = 2.01, \quad c_{i1} = 0.94, \quad c_{i2} = 0.41, \quad c_{i3} = 0.25, \quad c_{s1} = 0.39, \quad c_{s2} = 0.17, \quad c_{s3} = 0.11, \\ l_1 &= 1.79, \quad l_2 = 0.50, \quad l_3 = 0.24, \quad T_1 = 0.50, \quad T_2 = 0.38, \quad T_3 = 0.20. \end{aligned} \tag{26}$$

It is straightforward to calculate the three eigenvalues are

$$\{-0.42, -0.38, -0.33\}.$$

The equilibrium point is stable. The existence of a unique stable equilibrium point is important as we can effectively conduct comparative dynamic analysis.

We now study what will happen to the national economy when the foreign income is changed as follows: $y_f = 4 \Rightarrow 4.1$, where “ \Rightarrow ” stands for “being changed to”. This study uses the variable, $\bar{\Delta}x(t)$, to represent the change rate of the variable, $x(t)$, in percentage due to changes in the parameter value. The capital intensities and wage rate are not affected, $\bar{\Delta}k_i = \bar{\Delta}k_s = \bar{\Delta}w_j = 0$.

Conclusions

This paper studied relation between growth and tourism in a small open economy with heterogeneous households. The model can be extended and generalized in many directions. For instance, we may introduce environment or/and money into the model.

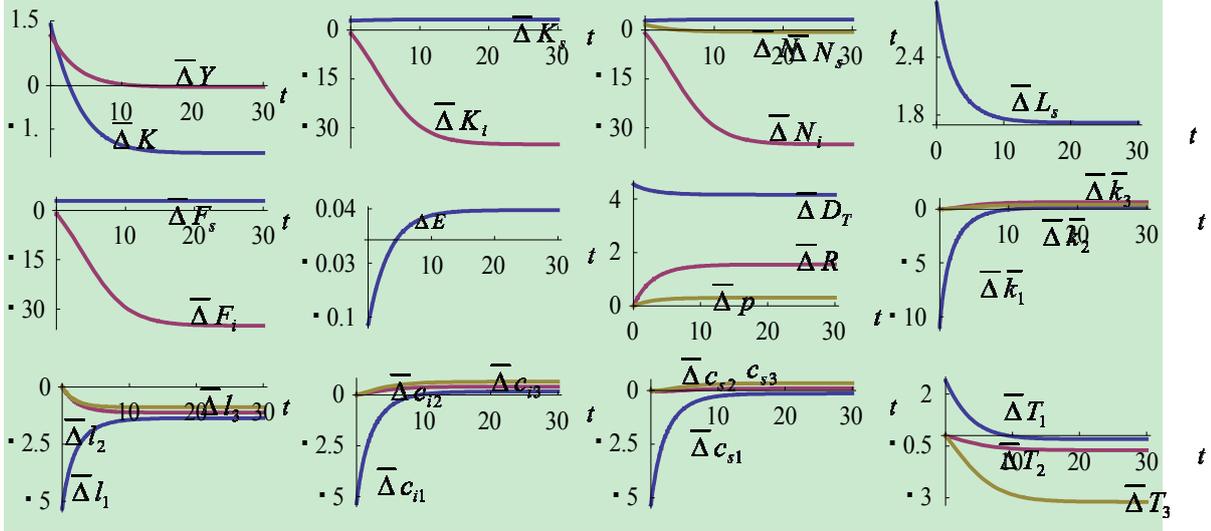


Figure 2. Foreign Countries' Income Being Enhanced

Appendix: Proving Lemma 1

We determined k_i , w , and k_s as functions of r^* and A_i . From $K_j = k_j N_j$ and (8), we have:

$$K_i = (K - k_s N)k_0 k_i, \quad K_s = (k_i N - K)k_0 k_s, \quad (\text{A1})$$

where we omit time variable in expressions. From (5), we solve:

$$R = \frac{w_s N_s}{L_s}, \quad (\text{A2})$$

where we also use $l_s = L_s / N_s$ and $w_s \equiv w \gamma_s / \beta_s$. Inserting (A2) in (20) implies:

$$\sum_{j=1}^J l_j \bar{N}_j + \frac{w_s N_s}{R} = L. \quad (\text{A3})$$

From the definition of \bar{y}_j , we get:

$$\bar{y}_j = (1 + r^*)\bar{k}_j + w_j T_0 + \frac{R L}{N}. \quad (\text{A4})$$

Equation (A4) and $l_j = \eta_j \bar{y}_j / R$ in (13) implies:

$$l_j = \frac{(1 + r^*)\eta_j \bar{k}_j + w_j \eta_j T_0}{R} + \frac{\eta_j L}{N}. \quad (\text{A5})$$

Inserting (A5) in (A3) implies:

$$\sum_{j=1}^J \bar{n}_j \bar{k}_j + w_s N_s = \eta_0 R - \bar{\eta}_0, \quad (\text{A6})$$

where

$$\bar{n}_j \equiv (1 + r^*)\eta_j \bar{N}_j, \quad \bar{\eta}_0 \equiv T_0 \sum_{j=1}^J w_j \eta_j \bar{N}_j, \quad \eta_0 \equiv \left(1 - \frac{1}{N} \sum_{j=1}^J \eta_j \bar{N}_j\right) L.$$

From $r_s = \alpha_s p F_s / K_s$ and (16) we have:

$$\sum_{j=1}^J c_{sj} \bar{N}_j + D_T = \frac{r_s K_s}{\alpha_s p}. \quad (\text{A7})$$

Inserting $c_{sj} = \gamma_j \bar{y}_j / p$ in (A7) implies:

$$\sum_{j=1}^J \gamma_j \bar{y}_j \bar{N}_j + p D_T = \frac{r_\delta K_s}{\alpha_s}. \quad (\text{A8})$$

Insert (A4) into (A8):

$$\sum_{j=1}^J \bar{\gamma}_j \bar{k}_j + \bar{\gamma}_0 + a y_f^\phi p^{1-\varepsilon} = \frac{r_\delta K_s}{\alpha_s}, \quad (\text{A9})$$

where we also use (10) and:

$$\bar{\gamma}_j \equiv (1 + r^*) \gamma_j \bar{N}_j, \quad \bar{\gamma}_0 \equiv \sum_{j=1}^J \left(w_j \gamma_j \bar{N}_j T_0 + \frac{RL}{N} \gamma_j \bar{N}_j \right).$$

We assume $\varepsilon \neq 1$. It is straightforward to check that we can easily analyze the case of $\varepsilon = 1$. From (6) we have:

$$p = p_0 R^{\gamma_s}, \quad (\text{A10})$$

where we also use $l_s = w_s / R$ from (A2) and:

$$p_0 \equiv \frac{w}{\beta_s A_s k_s^{\alpha_s} w_s^{\gamma_s}}.$$

Insert (A10) in (A9):

$$\sum_{j=1}^J \bar{\gamma}_j \bar{k}_j + \bar{\gamma}_0 + a p_0^{1-\varepsilon} y_f^\phi R^{\gamma_s(1-\varepsilon)} = \frac{r_\delta K_s}{\alpha_s}. \quad (\text{A11})$$

Substitute $N_s = (k_i N - K) k_0$ from (9) into (A6) and $K_s = (k_i N - K) k_0 k_s$ from (A1) into (A11) respectively yields:

$$\begin{aligned} \sum_{j=1}^J \bar{n}_j \bar{k}_j + (k_i N - K) w_s k_0 &= \eta_0 R - \bar{\eta}_0, \\ \sum_{j=1}^J \bar{\gamma}_j \bar{k}_j + \bar{\gamma}_0 + a p_0^{1-\varepsilon} y_f^\phi R^{\gamma_s(1-\varepsilon)} &= (k_i N - K) \bar{k}_0, \end{aligned} \quad (\text{A12})$$

where $\bar{k}_0 \equiv r_\delta k_0 k_s / \alpha_s$. From (A12), we solve:

$$\bar{k}_1 = \Omega(R, \{\bar{k}_j\}), \quad (\text{A13})$$

Where:

$$\Omega(R, \{\bar{k}_j\}) \equiv \frac{(\eta_0 R - \bar{\eta}_0) \bar{k}_0 - w_s \bar{\gamma}_0 k_0 - k_0 a w_s p_0^{1-\varepsilon} y_f^\phi R^{\gamma_s(1-\varepsilon)} - \sum_{j=2}^J (\bar{k}_0 \bar{n}_j + k_0 w_s \bar{\gamma}_j) \bar{k}_j}{\bar{k}_0 \bar{n}_1 + k_0 w_s \bar{\gamma}_1}.$$

From (18), we have:

$$T_j = T_0 - \frac{\sigma_j \bar{y}_j}{w_j}. \quad (\text{A14})$$

Inserting (A4) in (A14) implies:

$$T_j = (1 - \sigma_j) T_0 - (1 + r^*) \frac{\sigma_j}{w_j} \bar{k}_j - \frac{\sigma_j L}{w_j N} R. \quad (\text{A15})$$

From (1) and (A15), we have:

$$N = \tilde{N} - \sum_{j=1}^J \bar{\sigma}_j \bar{k}_j - \tilde{\sigma} R, \quad (\text{A16})$$

Where:

$$\tilde{N} \equiv T_0 \sum_{j=1}^J (1 - \sigma_j) h_j \bar{N}_j, \quad \bar{\sigma}_j = (1 + r^*) \frac{h_j \bar{N}_j \sigma_j}{w_j}, \quad \tilde{\sigma} \equiv \frac{L}{N} \sum_{j=1}^J \frac{\sigma_j h_j \bar{N}_j}{w_j}.$$

The following procedure shows how to find all the variables as functions of R and $\{\bar{k}_j\}$: \bar{k}_1 by (A13) $\rightarrow \bar{y}$ by

(A4) $\rightarrow p$ by (A10) $\rightarrow T_j$ by (A15) $\rightarrow T_{hj}, l_j, c_{ij}, c_{sj}, s_j$ by (18) $\rightarrow N$ by (A16) $\rightarrow K$ by (A12) $\rightarrow K_i$ and K_s by (A1) $\rightarrow N_i$ and N_s by (9) $\rightarrow D_T$ by (10) $\rightarrow \bar{K}(t)$ by (22) $\rightarrow L_s$ by (A2) $\rightarrow F_i$ by (2) $\rightarrow F_s$ by (5).

From this procedure and (19), we have:

$$\dot{\bar{k}}_1 = \Omega_0(R, \{\bar{k}_j\}) \equiv s_1 - \bar{k}_1, \quad (\text{A17})$$

$$\dot{\bar{k}}_j = \Omega_j(R, \{\bar{k}_j\}) \equiv s_j - \bar{k}_j, \quad j = 2, \dots, J. \quad (\text{A18})$$

Taking derivatives of (A13) with respect to time implies:

$$\dot{\bar{k}}_1 = \frac{\partial \Omega}{\partial R} \dot{R} + \sum_{j=2}^J \Omega_j \frac{\partial \Omega}{\partial \bar{k}_j}, \quad (\text{A19})$$

where we use (A18). We do not provide the expression of the partial derivatives because they are tedious.

Equating the right-hand sides of (A17) and (A19), we get:

$$\dot{R} = \Omega_1(R, \{\bar{k}_j\}) \equiv \left(\Omega_0 - \sum_{j=2}^J \Omega_j \frac{\partial \Omega}{\partial \bar{k}_j} \right) \left(\frac{\partial \Omega}{\partial R} \right)^{-1}. \quad (\text{A20})$$

We have thus proved Lemma 1.

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Altruistic or opportunistic: consumer perception of cause-related products

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Abstract

The responses of consumers to firms engaged in charitable and cause-related activities have always been a topic for investigation. A variety of preliminary research efforts that have examined consumer responses to cause-related marketing (CRM) succeeded in describing overall consumers' interpretations of and attitudes towards CRM as well as their purchase intention. Many studies have also measured how different elements of CRM campaigns affect consumers' responses; however, studies of the influence of price differentials and entrepreneur types on consumers' perception of CRM are still in an initial stage. Hence, this research focuses on exploring the consumer perception of cause-related products offered by commercial and social enterprises using price differentials as the main stimuli. The results indicate that a high price can have a negative influence on consumer perception of companies supporting CRM campaigns, especially commercial companies. Furthermore, a sensitivity analysis shows that under the influence of price, consumers with low altruistic attitude tend to have more negative evaluation of cause-related products than those with high altruistic attitude. The findings drawn from the study make important contributions to marketing literature and managerial decisions. Based on the results, it is suggested that commercial firms should exert more efforts to alleviate the negative effects of price on consumer perception and focus on educating their potential customers about their CRM for more successful marketing outcomes.

Introduction

Nowadays, many corporations contribute to public goods through wide arrays of charitable activities including philanthropic donations, social responsibility programs or cause-related marketing campaigns. Cause-related marketing (CRM) links purchases and product sales with donations to charities. It has robustly emerged as a specific form of corporate social responsibility as a result of the desire of both corporations and consumers to demonstrate their responsibility to the society (Varadarajan and Menon, 1988). CRM makes it easier for consumers to engage in philanthropic activities and helps firms to combine social responsibility with bottom-line performance, thus gaining enormous popularity since the late 80s (Varadarajan and Menon, 1988). CRM has become a vital component of a firm's marketing strategies since it responds to consumer expectations, improves corporate performance and helps worthy social causes at the same time (Varadarajan and Menon, 1988; Webb and Mohr, 1998). While contributions through CRM initiatives have gained significant recognition, what really motivates firms to do so is debatable.

Several prior studies on consumers' perception of CRM suggest that consumers are aware of the conflict between the profit-maximization philosophy and the philanthropic nature of CRM activities initiated by commercial entrepreneurs (Varadarajan and Menon, 1988; Webb and Mohr, 1998). The results from previous studies show that consumers have more opportunistic perception than altruistic perception of CRM as most respondents tend to think of CRM activities of commercial firms as strategic marketing tactics with more firm-serving motives than purely society-serving motives (e.g. Varadarajan and Menon, 1988; Webb and Mohr, 1998). Those studies have also identified wide arrays of elements included in CRM campaigns (e.g., donation magnitude, product type, brand-cause fit etc.) as crucial factors shaping consumers' perception toward CRM activities.

Though CRM initiatives are well established in the marketing literature, literature is fairly silent with respect to how consumers react to CRM pricing practices and different types of entrepreneurs in CRM. Studies by Subrahmayan (2004) and Berglind and Nakata (2005) provide preliminary insight into consumers' responses to high product prices in CRM campaigns, suggesting that when the price of cause-related product

is high, consumers are likely to exhibit negative buying intent. These findings are important to marketers in CRM, but they only apply to commercial companies. Would the findings still hold when it comes to other types of entrepreneur participating in the same CRM campaigns? What kind of perception and attitude do consumers have that stimulate them to react that way to high product prices in those studies?

While studies on consumer perception of CRM initiatives introduced by commercial firms are prevalent in the marketing literature, studies on consumer perception of social entrepreneurs in CRM are immensely insufficient, let alone studies on consumers' perception of social entrepreneurs' pricing strategies in CRM. As a result, we lack the understanding of consumers' interpretations of and reactions to CRM and CRM pricing strategies adopted by social entrepreneurs. Thus, this study will focus on opportunistic and altruistic consumers' perceptions of cause-related products sold at different price levels and by different types of entrepreneurs: for-profit entrepreneurs and social entrepreneurs.

This study will assess and compare consumers' perception of cause-related products offered by profit-driven companies and social entrepreneurs using scenario-based methodology. The paper will first review the previous academic literature in the field of cause-related marketing, social entrepreneurship and consumers' perception of CRM initiatives. Then, through four experimental scenarios and follow-up surveys, the paper delves in depth into consumers' views and evaluations of the experimental cause-related products with the purpose of investigating whether their opportunistic and altruistic perception of cause-related products and CRM activities change when price and entrepreneur type change.

Finally, based on the insights established from the survey results, a number of relevant theoretical and managerial implications and suggestions are drawn with regard to how enterprises can increase the altruistic perception and lesson the opportunistic consumers' evaluation of their cause-related marketing activities.

Methodology

This study has employed a scenario-based survey method with the participation of 219 undergraduate and graduate students from different universities around the world. In order to better understand the altruistic attitude of the respondents and their previous philanthropic experience, they were asked to complete a survey consisting of 6 questions taken from the self-report altruism scale by Rushton (1981) and 1 question regarding their past purchase experience of cause-related products. In order to test the hypotheses, the respondents were then exposed to four test CRM scenarios. Each participant was presented with a hypothetical situation in which they are supposed to have the need to consume coffee and an 11lb (250g) package of coffee is being offered in the market.

Subsequently, they were asked to rate items taken from the study by Ross et al. (1992) on a 5-point Likert scale in order to assess their altruistic and opportunistic perception and buying intention of the product given. The scenario explained that for each unit of coffee bag sold, the manufacturer would donate 10% of the profit to support the poor coffee farmers in less developed countries. The size of the coffee package and the donation size remained unchanged for the four test campaigns, however, the types of the manufacture and the price of the packages are manipulated in order to investigate consumer responses to different types of entrepreneurs and prices when it comes to cause-related products.

Each respondent was only exposed to one test scenario and was unaware of the existence of the manipulations of the type of entrepreneurs and the price in other scenarios. Analysis of variance (ANOVA) was used to examine the main effect and the interaction effect price and entrepreneur type may have on the consumer's opportunistic and altruistic perception of cause-related product.

Discussion

The results of this study provide evidence on the negative effect of price on the consumer perception of commercial firms engaging in cause-related marketing campaigns. The hypothesized impact of price was in

general supported by the study. For commercial entrepreneurs, when the price was high, the opportunistic perception of consumers of cause-related products was also high whereas their altruistic perception exhibited a decreasing tendency. At a lower price level, they may be seen as hardly opportunistic and even as almost equally altruistic as social entrepreneurs. In contrast, at a higher price level commercial entrepreneurs would be considered as less sincere and being exploiting the cause to gain more commercial profits. It can be concluded that when it comes to cause-related marketing campaigns, despite the identical price settings of products and size of donations, commercial entrepreneurs still run the risk of being perceived as more self-interest oriented than their social counterparts and price changes are more likely to harm them than others.

The impact of price on both opportunistic and altruistic perception of consumers of cause-related product offered by social entrepreneurs found only limited support, meaning that social entrepreneurs might be more favorably viewed by consumers and might be immune to harm brought about by price. In other words, social entrepreneurs are able to set a high product price in the first place or raise the already established price when supporting a cause because they would not be considered as more abusive or unscrupulous than when they sell product at a low price. This gives them an advantage over commercial entrepreneurs in the market of cause-related products.

When it comes to the altruistic perception of consumers of cause-related products, price has no significant influence regardless of the types of the entrepreneur. The result indicates that reducing product price would not make these entrepreneurs more altruistically perceived. This means that respondents saw no difference between commercial and social entrepreneurs when they both got involved in charitable marketing campaigns. Moreover, the finding that price is positively associated with consumers' opportunistic perception, but not negatively associated with consumers' altruistic perception may indicate that perceived opportunism and altruism may not be on a continuum. This implies that altering consumers' altruistic perception and opportunistic perception may require different strategies.

In summary, whether firms can set high product price during a CRM campaign is susceptible to substantial amount of risk, especially for commercial entrepreneurs. Since consumers have to face a trade-off when making donations through purchasing cause-related products, the more they perceive the product price as unnecessarily high, the more likely they will judge it as being "unfair", opportunistic and for firm-serving purposes. Therefore, commercial marketers wanting to affiliate their business with pro-social activities should be more careful when setting price for their cause-related products, framing the donations and communicating the charitable characteristics of their campaigns to consumers. The study's results also propose that entrepreneurs should investigate the altruistic attitude and the philanthropic experience of their customers in order to target the right market segments when carrying out CRM campaigns. This study also sets initial step for further research on the influence of consumer's background and altruism level on their perception of CRM campaigns.

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International trade and domestic employment: Does it matter whom you trade with?

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Abstract

After following inward oriented economic policies for nearly four decades, India opened up to international trade and investment in the early 1990s. The reduction of trade barriers along with simplification of foreign direct investment regime resulted in a significant increase in global integration of Indian economy in general and manufacturing in particular. Against this backdrop, this paper analyzes the labor market implications of the growing internationalization of Indian economy. Using a dynamic panel of 50 manufacturing sub sectors and employing the GMM technique to estimate the dynamic labor demand equation, this paper argues that belling the common understanding and expectations of Indian policy makers, the internationalization of Indian manufacturing has adversely effected the domestic employment. My results show that the foreign direct investment and international trade, specifically the surge in imports of low skilled labor intensive products from developing countries has been harmful to domestic employment in India.

Introduction

The process of economic development requires the transformation of employment from primary to secondary and finally to tertiary sector. In this process, the industrial sector plays a crucial role as it generates the much-needed blue-collar employment. A direct transition of employment from agriculture to services, though possible, is not desirable for a country like India which has a large pool unskilled labor force as tertiary sector mainly generates highly skilled white-collar jobs. Indian policy makers recognized this fact right at the independence of India and hence accorded an overriding priority to industrialization and employment generation in manufacturing. They adopted an import substitution strategy to facilitate the transition of employment from agriculture to manufacturing. These efforts worked well initially as industrial employment witnessed a healthy growth during early phase of planning era.

However, industrial employment lost its momentum towards the end of 1970s and 1980s, despite healthy output growth, and witnessed a complete stagnation in industrial employment. Many economists attributed this unpleasant outcome to the inward looking policies. They argued that if India had followed a more liberal economic regime with lesser barriers on international trade and investment the employment story might have been different. Sighting the traditional trade theory, they asserted that a liberal economic regime would alter domestic industrial structure in favor of low skill and labor intensive industries and hence improve the job opportunities.

India opened up to international trade and investment in 1990-91 and since then has implemented a wide range of trade, foreign investment and exchange rate related reforms. These policy changes increased the global integration of Indian economy in general and manufacturing in particular. The inflow as well as outflow of FDI increased many folds, while the trade of manufactured goods spiked from US\$19 billion in 1990-91 to around US\$200 billion in 2007-08.

Now, the question arises whether these changes in trade and investment regime have improved the employment situation in India? A close look at the employment growth in post reform period shows that manufacturing employment has witnessed a modest growth rate of 1.39% per annum. The employment growth largely comes from the export oriented sectors as the employment in these industries has grown at a much faster rate, while the import competing industries have actually shed employment. However, the

question is: can we attribute the change in employment to change in trade and investment policies. This paper is a modest attempt in this direction.

Methodology

In order to quantify the impact of growing Internationalization on employment, I use a regression based econometric approach. Following Greenaway et al. (1999) and other similar studies, I derive a labor demand equation from Cob Douglas production function and augment it with the indicators of internationalization. Since, there is a cost associated with labor adjustment, it is common to include lag of employment while estimating the labor demand. The inclusion of lag is also necessary to capture the labor market rigidities and heterogeneity effect.

Keeping this in mind, I include the lag of employment in my final equation, making it a dynamic demand equation. Since we have a dynamic panel where lag of dependent variable is also included as an explanatory variable, ordinary least square estimator of parameters in levels equations is inefficient, as the presence of the lag of depended variable leads to first order autocorrelation in the error term (Baltagi 2003). The within group estimator removes this source of inconsistency by transforming the equation by taking deviation from mean to removing individual specific effect.

However, in dynamic panel data where the number of time period is small, this transformation fails to remove the correlation between transformed lag dependent variable and transformed error term. Arellano and Bond (1991) show that in absence of second-order autocorrelation in the residual, the Generalized Methods of Moments (GMM) provides efficient estimates. Keeping this in mind I employ the GMM technique to estimate the labor demand equation. The Sargan test is used to test the validity of instrument.

Discussion

The estimated equation turns out to behave well with all variables having the expected sign. The wage rate is negatively related with labor demand, indicating that any increase in real wage rate discourages employers from hiring more labor. The coefficient of output is positive and significant at one percent level, which underlines the positive scale effect of increase in output on employment demand. The coefficient of lag dependent variable is also positive and highly significant which verifies the presence of rigidities in Indian labor market.

The index internationalization is found to be negatively related with employment, which indicates the negative impact of internationalization on domestic employment. Results further shows that the foreign direct investment and international trade, specifically the surge in imports of low skilled labor intensive from developing countries has forced domestic entrepreneurs to adopt more labor saving techniques of production leading decline in labor demand.

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Implications of transformational leadership, learning organization and organizational innovation towards organizational performance: a case study of Bank Syariah Mandiri Jakarta

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Abstract

Transformational leadership style has been admitted as an important strategic factor influencing firm innovation. In this knowledge and information era, leaders are encouraged to bring the organization into a learning organizational model. Scholars are now paying more attention to the possibility that the accumulation of learning culture plays an essential role in boosting innovation and organizational performance. This study is aiming to examine relations between transformational leadership, learning organization, organizational innovation, and organizational performance. Through questionnaires administered to one hundred fifty employees ranging from senior manager, manager, officer and executive of the Bank Syariah Mandiri Jakarta, I examine the hypotheses that transformational leadership has a significant positive effect on learning organization and organizational innovation, and also learning organization has a significant and positive relation with innovation. Furthermore, transformational leadership, learning organization, and organizational innovation may have a positive and significant influence on organizational performance.

Introduction

Dynamic market competitiveness, rapid technological growth, information stream changes, and uncertainty over economic situation are factors that influence organizational movement. These are major reasons why organizations make an effort to catch up with globalization to sustain their competitive advantage and elevate their performance. Reducing production's cost, shortening the procedure life cycle, acquiring new technical processing methods and increasing the quality of services are part of efficiency improvement that the organization needs to win market competition. In the critical conditions mentioned, the leader actively renews the strategy to success and to embrace organization's survival. Excellent employees will be an important property for the organization to bring innovation by applying a combination of related knowledge and skill mastery into the desired business processes.

Knowledge creation will adequately build if the organization can successfully create a situation that enables employee to get involved in active learning together with other colleagues and simultaneously integrate with the whole elements of organization. Yang, Watskin, and Marsick (2004) emphasize on the learning initiative from the individual and group level first, and then as clusters, teams, networks, and gradually large units when they join through organizational change.

Learning knowledge and competence have emerged as the key drivers of competitive advantage and organizational performance (Yang, 2003). By providing a learning organization culture, organization will have a significant value that encourages its human capital to create an organizational learning system. The importance of organizational learning for the survival of organization and as a tool to enhance its performance is admitted widely. Because of the importance of learning organization, effective leadership would be critical within the organization.

Transformational leadership becomes a booster for excellent human capital towards innovative culture. Transformational leader have charisma, provide inspiration and promote intellectual stimulation (Bass & Avolio, 2000), by motivating their followers through communication of high expectations and promoting employee's intelligence, knowledge and learning so that employees can be innovative in their approach to

problem solving and solutions. The necessity of the role of transformational leadership in learning organization's creation to stimulate better innovation is better seen in greater organizational performance. Through this research, the link between transformational leadership, learning organizational culture, organizational innovation and performance will be examined in an empirical study.

Methodology

Quantitative research methodology is used to conduct this research, in which primary data were collected through a survey questionnaire instrument and the sample were employees at Bank Syariah Mandiri located in Jakarta. The questionnaire was administered directly to the bank's employees from all levels. In addition, interviews with top management level were also conducted to gain more information and complementary data to support the research's analysis.

Data collection was performed using instruments like the Multifactor Leadership Questionnaire developed by Bass & Avolio (1990), DLOQ (Dimensions of Learning Organizations Questionnaire) developed by Watkins & Marsick (1997), and New Service Development competence component developed by Menor & Roth (2007) to measure transformational leadership, the dimensions of learning organization culture, and organizational innovation, respectively.

Questionnaires were administered to one hundred fifty employees ranging from senior manager, manager, officer and executive from Bank Syariah Mandiri Jakarta. The researcher expects that the result may support the developed hypotheses. Secondary data were gathered indirectly from archived published documents of Bank Syariah Mandiri on Return on Assets (ROA) and other financial performance indicators that are used to measure bank's performance. Direct observation of the bank environment and an interview with manager also demonstrated the role of a learning culture and its application within organization.

Discussion

This paper is aiming to examine the implications of transformational leadership in learning culture and innovation within organization. Besides that, the researcher wants to know how transformational leadership, learning organization, and organizational innovation contribute to organizational performance enhancement.

Therefore, the researcher expects that the result may help determine if there is a positive and significant relationship between transformational leadership practice and learning organizational dimensions, learning organization with organizational innovation, and the three previous variables with organizational performance. Here, the institution was evaluated on how it applied a learning organization culture to facilitate learning programs for employees to create excellent human capital that may elevate innovation and in turn boost the organizational performance.

From the theoretical aspect, this study could benefit and contribute to a deeper understanding of the learning organization especially in relation with transformational leadership practice and organizational innovation. Moreover, this research will provide additional inputs for the organization (bank) about the importance of implementing transformational leadership in order to support a learning organization culture; leaders should encourage the organization with a strategy to provide a learning organization environment for the employees, who in turn will help the organization enhance its organizational performance.

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Exploring the possibility of using microfinance institutions to promote small and medium-sized enterprises in Tajikistan

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Abstract

Development of small and medium-sized enterprises (SMEs) is an integral part of the market system that corresponds with objectives of economic reforms in the Republic of Tajikistan. Furthermore, it helps to manage a healthy competition in the economy to ensure a high quality of life. Since it plays a vital role in the economic development of the Republic of Tajikistan, the SME segment is one of the most effective and integral forms of business organization that has a significant impact on the economic development of the country. Moreover, it has been uplifting the living standards of consumers with high quality products and services from local production. Therefore, it has contributed to the enhancement of quality of life from various economic aspect of the contemporary society. The growing employment will also help in increasing tax payments, which contributes to the national budget (Madumarov, 2011). One solution for the growth of SMEs can be the microfinance sector, which is able to provide financial resources to SMEs. This is very important in production activities, and it is necessary to improve the mechanism of microfinance institutions that contribute to the SMEs development, not only in large cities but also in rural areas and mountainous regions (Madumarov, 2011). The purpose of this research is, to find out possible ways that microfinance can support SMEs for the profitable growth and sustainable development of Tajikistan. Means and mechanisms should be cultivated not only to promote the expansion and propagation of SMEs, but also, for SMEs to have better access to microfinance resources.

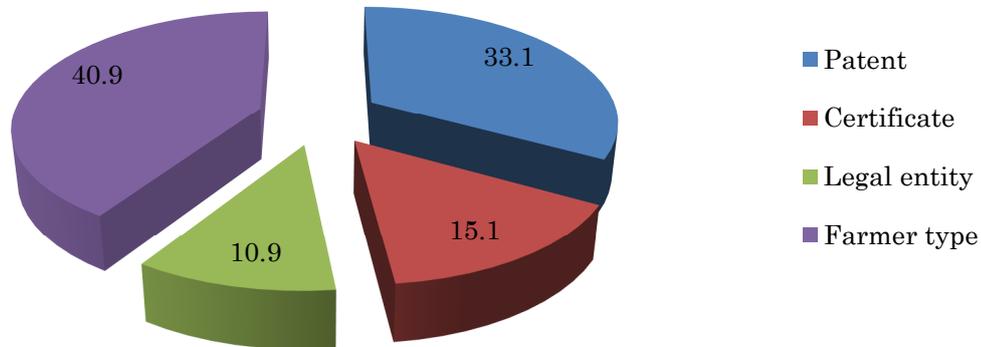
Introduction

Since independence Tajikistan has been conducting an active policy aimed at ensuring economic growth through integration into world economic management. The political and investment climate, and the adopted legislation and regulations contribute to the solution of many priorities related to the growth and modernization of the economy, attracting investment and development of the private sector, in particular the SME. Tajikistan's economy is developing in many threads related to the global economy and, along with all the suffering the consequences of the global financial and economic crisis. The Republic of Tajikistan as a full member of the international community has made great efforts in the implementation of economic reforms and integration into the world economy. These results were provided in recent years, following economic reforms, which were marked by the improvement of the business and investment environment. The government is also actively continuing the process of providing institutional reforms for the infrastructure of a real market economy (Abdullaeva, 2013).

In the transition of the Republic of Tajikistan to the market economy and formation of market relations, development of entrepreneurship has a positive impact on socio-economic growth. Especially, this effect will be noticeable only if SME will effectively function. This results from organizational, legal, and economic mechanisms, which help to establish and justify the key priority areas of development (Zikirov, 2012).

According to the Tax Committee under the Government of the Republic of Tajikistan, the number of registered and functioning SME's was about 2,364 in the end of 2012. The specific numbers of SMEs by type of activity are as the following: SME by patent – 78,339 subjects or 33.1 % of the total number; SME on the base of certificate (simplifies) – 35,610 subjects or 15.1% of the total amount; SME as a legal entity – 25,728 subjects or 10.9% of the total amount; SME as a farmer type – 96764 subjects or 40,9% of the total amount (Analysis, 2013).

The proportion of SME in Tajikistan as % from the total



Source: Tax Committee under the Government of the Republic of Tajikistan, www.andoz.tj

The total number of SME is just over 3% of the total population (the population of Tajikistan according to Tajikistan's ministry till January 1st 2013 was 7987,400 people). Individual entrepreneurs and SMEs dominated the country's commercial activities between 50 - 60%.

Under the current conditions, development of the national economy depends on the level and quality of private sectors. Therefore, it is necessary to take into account that the development of SME often relies on decision making for the improvement of mechanisms of a free economy, financial reforms, banking and insurance organizations, and simplifying the tax system to contribute to the support and development of SME in the country (Zikirov, 2012). It is necessary to note that currently, SMEs in Tajikistan are facing many difficulties. The main difficulty experienced by SMEs is lack of resources, both in logistics and finance. SMEs have practically created a new economy from the scratch.

There are many internal factors that restrict SMEs development in Tajikistan: the geographical situation (landlocked country, the lack and the poor quality of communications and infrastructure); access to world trading and market centers; power shortages especially during winter; lack of gas and oil; unstable economic situation in the country; budget deficit (these factors do not allow the Government to finance the SMEs' development programs); insufficient market at the domestic level; flawed legislation; stringent tax system with a lack of tax incentives; less capacity due to poverty; labor migration to foreign countries including Russia, Kazakhstan, USA, etc.; a high level of corruption; an acute shortage of professional- entrepreneurs with experience in business on market economy; a lack of modern equipment limiting SMEs ability to implement their production process at a higher technological level; underdeveloped mechanisms for risk insurance of SMEs; and unfavorable credit conditions of banks with high interest rates and cumbersome bank processes (E. Burkle, 2010).

Considering the factors that adversely affect SMEs development, it is necessary to discover practical solutions. One solution for growth of SMEs can be the microfinance sector, which can provide financial resources to SMEs, and is very important in production activities. In this regard, it is necessary to improve the mechanism of microfinance institutions that contribute to the SMEs development, not only in large cities but also in rural areas and mountainous regions (Madumarov, 2011).

The microfinance sector in Tajikistan has played an important role in increasing access to finance for the country's population in the last five years. The central Asian microfinance sector is marked by the proliferation of small micro finance institutions (MFIs), and Tajikistan is no exception, with the total number

of registered microfinance institutions increasing from 75 in 2007 to 124 in 2012. The Tajikistan market is smaller than others in Central Asia, with the exception of Uzbekistan, in terms of both absolute number and penetration rate (Erika Buerkle, Hoang Thi My Hanh, 2013).

According to the NBT data, 142 credit institutions have been registered in Tajikistan as for 31 December 2012. Membership of AMFOT consists of 72 out of 125 MFIs, 4 out of 16 commercial banks, a leasing company, a wholesale credit company and two international organizations. The coverage level of AMFOT members' portfolio is 96% and the remaining 4% belongs to small and medium MFIs, non AMFOT members. The Association of Microfinance Organizations of Tajikistan (AMFOT) was established in 2004 in the Republic of Tajikistan, as a non-profit organization with microfinance organization interested in development of the microfinance sector. AMFOT is one of the first organizations in this field in Central Asia (AMFOT, 2013).

The numbers of active clients of AMFOT members at the end of March 2013 are 218,903 clients. The share of commercial banks includes 21,650 clients and MFIs has 197,253 clients. According to a report on 31 March 2013, the total portfolio of MFI and the AMFOT members reached 1,246,784,862 Somoni (currency of Tajikistan). Furthermore, the average size of micro-loans in the non-banking sector has grown from 520 to 50,000 Somoni (AMFOT, 2013).

Microfinance is a form of financial development that is primarily focused on alleviating poverty through providing financial services to the poor. Most people misunderstand microfinance as being microcredit, lending small amounts of money to the poor. Microfinance may do that however, covering borderline prospects including insurance, transactional services, and importantly, savings. There is now a reasonably large body of literature explaining why and under what conditions microfinance works.

The purpose of microfinance is to provide access to financial resources and modern financial services to individuals and business entities that are not able to use traditional banking services. It is well known that banks do not like to provide financial support through the provision of loans to beginners or new entrepreneurs and businessmen (Microfinance, 2012).

However, the real operations of micro finance institutions in Tajikistan have drifted from the original intention (i.e. helping the poor, both urban and rural, and/or socially vulnerable segment of the society) with an increased shift towards the wealthier segment of the society including small scale business operations in urban areas. Actually, the current operation of the micro finance has been polarized into two divisions; (i) one is for serving the traditional area of micro finance (the poor or the socially vulnerable segment, and (ii) the other is for serving small scale business operations in urban areas. While the former may deserve being assisted by aid agencies, the latter does not.

The latter segment of the micro finance institution should be restructured to one with an explicit objective of assisting the SME segment of the economy. If the business operations of the latter segment of the microfinance institutions are explicitly redefined and refocused, it could potentially serve well to the SMEs. My proposed research intends to explore this possibility.

Methodology

This research was developed using quantitative and qualitative methods. The quantitative method used a survey research design to assess the effect of MFI's on profitable growth of SMEs in Tajikistan. The survey research design was adopted to assess the effect of microfinance on the profitable growth and sustainable development of SMEs in Tajikistan.

A survey does an investigation about the characteristics of a given population by means of collecting data from a sample of that population and estimating their characteristics through the systematic use of statistical methodology; it is a non-experimental, descriptive research method that tends to be quantitative and aims to collect information from a sample which is representative of the population within a certain

degree of error. The qualitative method was also used to understand what is known about how microfinance can support profitable growth and sustainable development of SMEs in Tajikistan. This method included interviews and getting relevant information from documents, books, journal articles and other data.

The study area selected for the research work was the Republic of Tajikistan, with the target areas of research including all 4 administrative entities of the country: the Sogd oblast in the north, Khatlon oblast in the south, the Autonomous Region of Gorno-Badakhshan (GBAO) in the south-east and District of Direct Republican Subordination (DRS) which includes Dushanbe, the capital city. The survey took place from August to September of 2013.

Data collection techniques in this research included collecting primary data, a questionnaire survey with MFI clients (SMES) and non-clients, interview with Government, MFI and non-governmental representatives, from Ministry of Finance, Tax Committee, AMFOT, MFIs, NASMBT, SMEs and other agencies. The target population for the study divided into 4 groups:

- 1) Representatives of small and medium-sized enterprises who were clients (200 people) of MFI and non-clients (120 people) as a control group. These groups were surveyed through questionnaire.
- 2) Representatives from 10 different MFI were individually interviewed.
- 3) Representatives from Government agencies; 10 were respectively interviewed.
- 4) Representatives from NGOs implementing projects on SMEs development; 6 people were interviewed.

This study also collected secondary data (official reports, statistics, research works) from Government agencies and representatives of microfinance institutes to have information and recommendations on SMEs and on microfinance issues. Data collected from the questionnaires were analyzed, summarized, and interpreted accordingly with support of descriptive statistical techniques such as total score and simple percentage. The quantitative data analysis was done by statistical programs and Microsoft Excel. The findings are presented in the form of tables, charts and figures. In the qualitative method, data were analyzed by each interview transcribed followed by the process of data reduction, data display and etc.

Findings and Discussion

Finance is a big obstacle for poor people even with smart brains. The primary element in stimulating citizens' business initiatives, promotion of employment and self-employment of the unemployed, for the development of already established microenterprises is their financial and credit support, especially under the conditions of low personal savings. The global experience shows that microfinance acts as one of the most effective tools in economic development under these conditions (Nailya Menlasheva, 2013).

The financial sector portfolio of Tajikistan is 1.3 billion US dollar. Contribution of MFIs to the membership of AMFOT is 286 million US dollar that is equal to 21.9% of credit portfolio of financial institutions (AMFOT, 2013). Research has shown that despite these positive indicators, access to finance is still a hot topic in Tajikistan due to the fact that the bulk of the population lives in rural and mountain areas, remote from cities and regional centers.

For the sustainable development of small and medium business, it is necessary to create new policies and additional sources of funding and improvement access to the finance. To support the development of micro-finance it is necessary to improve the sources of refinancing to improve competition in the financial market of the country.

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Iran's forests and the current threatening factors

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Abstract

This paper presents the current state of forests in Iran, introducing Iran's forests and vegetation areas and then focusing on the issues affecting the forests in Iran such as livestock grazing, farming, land use change, fire, climate change, fuel wood, pests and diseases and improper management. The outcome of this study indicates that these issues are responsible for the extinction of some rare species or excessive death of them and ecosystem degradation. In some cases the cause of dying is recognizable; however sometimes the causes are not clear such as tree mortality in a large area. In this situation a complex set of factors cause the decline which can be divided to three factors: predisposing, inciting and contributing.

Introduction

Forests of Iran with an area about 12.4 million hectares comprise 7.4% of the whole country area of about 165 million hectares. While the forest cover of Iran is considered poor as compared with other countries, it is a unique ecosystem regarding plant diversity and genetic reserves. Approximately 8,000 plant species have been identified in Iran (Sagheb-Talebi, 2003). Climatic diversity especially from the land structure viewpoint is such that geographers have called Iran "The global climates' bridge".

This climatic diversity has given rise to at least five distinct forest zones: Hyrcanian forest zone which has encompassed humid commercial and industrial forests, Arasbaran zone with semi-humid forests which has been canonized as a global biosphere reserve due to its plant diversity, Zagros forest zone with semi-arid to temperate forests and a rich collection of oak species, Irano-Touranian forest zone, an arid forest with juniper, wild pistachio and almond and finally the Khalijo-Omanian vegetation zone which makes up arid tropical forests and has a different appearance from the others.

Recently forests are threatened globally through destruction of wildlife, water sources and other environmental functions. In Iran the destruction started many years ago as several species were eliminated and others are being threatened now; some habitats are collapsing, causing management of these ecosystems to face several problems. Iran is one of the seventy developing countries with low forest cover (LFCC, lower than 10% of total country's area).

The destruction factors of Iran's forests include: 1- lack of public awareness about the importance of natural resources; 2- cutting trees for fuel wood; 3- illegal exploitation ; 4- overgrazing ; 5-forest fire; 6-outbreaks of pests and diseases in large areas; and 7- shifting land use to agriculture. Forest destruction causes imbalance of ecosystem. Many problems in natural resources occur when human interferes and manipulates in natural areas, particularly replacing the native species with the exotic ones. In addition, climate change intensifies the destruction.

Methodology

The current paper analyses and discusses the current threatening factors of Iranian forests based on research articles and integrated reports and field monitoring and investigation of rare and endemic species in different forest lands in Iran.

Discussion

Based on our observations, since 2008, one million hectare of Persian oak (*Quercusbrantii* L.) forests in the Zagrosian region in the west of Iran has declined. Since 2010, more than 15000 ha of Box trees (*Buxus hyrcana*) have been dying in the Hyrcanian region of northern Iran and outbreaks of wood and leaf feeders (i.e. Lymantridae and geometridae, others) have occurred in vast areas with different kinds of disease (i.e. Charcoal disease, etc.). In the north and west of Iran, decline of Chestnut (*Castanea sativa*) and Silk tree (*Albizia julibrissin*) has been observed, with Dutch elm disease in the Hyrcanian region of northern Iran; annually about 20% of plant species are in danger of extinction with elimination of 1% of forest area, and decreasing of forest stock to 50% in the past three decades due to over exploitation of Iran's forests.

The question to be answered is why the numbers of trees are declining. Tree is a living organism and its life depends on three essential processes: photosynthesis, respiration and translocation. Since respiration is a permanent process while photosynthesis is a temporary one and occurs more in growing season, any tension and disturbances in photosynthesis result in an impact on plants. This impact may suddenly or gradually influence on plant's health.

In general, when trees cannot obtain the necessary factors due to human activities and environmental changes, photosynthesis will be disturbed, resulting in no carbohydrate production for respiration and causing the plant death. In principal, these problems start when the tree is planted in an improper site (i.e. forest plantation) or in a proper site with changing conditions (i.e. poor cultural practices that create unfavorable conditions for trees in natural forests).

Naturally, in each forest some of trees die because of competition, insects, diseases, fire, land slide, climate change, etc. In old forests one to two percent of trees comprise dead trees. In some cases the processes leading to tree death is recognizable (i.e. Dutch elm disease), yet there are cases that the causes are not clear like forest decline in a large area. In such cases instead of tree death, it is called "Ecosystem Decline"; in this situation a complex of factors are responsible for the decline which can be divided into three sections (Manion, 1991):

- 1- **Predisposing factors** such as genetics, age, low biodiversity (Anissi *et al.*, 2009), improper combination of species, gradually increasing temperature during the growing season, farming understory of forests (Hamzehpour *et al.*,2011) in more than 850000 ha of Zagrosian forests, overgrazing (Fattahi,1994) under the forests (more than 2.5 times over pasture capacity), fuel wood, soil compact and poverty, old age, improper management (Kiadaliri *et al.*,2011), etc. have created damaging conditions during a long time.
- 2- **Inciting factors** such as high temperature and low precipitation in a short time, drought, season shifting, irregular distribution of rain (Kiadaliri,2002), variable weather during winter, hot summers, melting glacier, seasonal rivers, mining, air pollution, and outbreaks of leaf feeders (Kiadaliri,2002).
- 3- **Contributing factors** such as wood and bark feeder insects, saprophyte fungi, and diseases like charcoal disease of oak (Mirabolfathi, 2012) cause a decline in the forests (Figure 1).

Since many actions can be done after observing these problems, saving the forests cannot be easily done without international cooperation. To solve this problem, there is an urgent need to reduce the predisposing factors in long term strategy and eliminate the initiating factors in short term strategy.

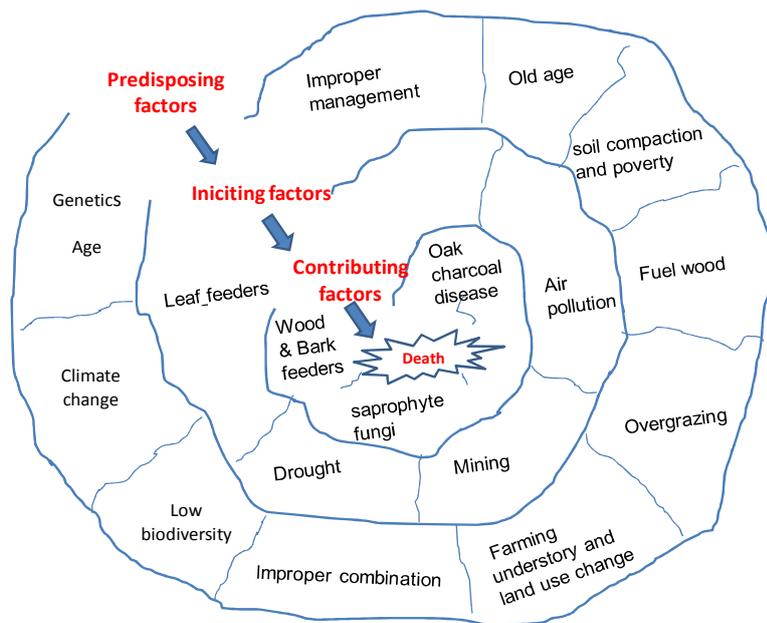


Figure 1. Manion's decline disease spiral model, showing predisposing, inciting, contributing factors.

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Ecological diversity and distribution patterns of the Persian Gulf coral reef ecosystems

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Abstract

This research was carried out during 2005-2010 for reviewing the corals status and determination of coral reef habitats distribution in the Persian Gulf. Coral reef sites and patches were determined by field surveys and direct observations. Also, the violet-blue bands of Land Sat satellite images were used for examining the seaward extent of coral reefs. Sampling sites were covered by SCUBA, Manta Tow technique and Transect survey base on Reef Check and GCRMN standard method. Coral reef habitats in Iranian coastal areas were found in two types and structures around seventeen islands with fringing coral reefs and two limited patches of coral reefs around Nayband Bay. The widest coral reef cover was observed around Khark, Kharko and Larak Islands. Due to extremes of water temperature and salinity, close to the physiological tolerance limits, coral reefs diversity and coral species composition in this area is similar and close to Indo-Pacific eco-region coral communities. In comparison, species richness is seen in the hard corals in the Gulf of Oman with about 70 species which is more than the entire Persian Gulf. Totally, 36 species belonging to 9 families and 20 genera of hard corals have been reported and documented. Among the identified coral species, Porites and Acropora were the dominant and Faviidae family was the most diverse.

Introduction

The Persian Gulf is in the northern part of the ROPME Sea Area (RSA), and is a semi-enclosed shallow sea located in subtropical climate. It measures 1000km in length, varying in width from 60 to 340km, with an average depth of about 35m and maximum depth of 105m.

The coral reefs ecosystems of the Persian Gulf - Iranian waters are not very diverse compared to other tropical areas such as the Red Sea, due to fluctuation of ecological conditions and environmental stress (ROPME, 1999). Coral habitats of the Persian Gulf can withstand temperatures much higher than coral reef ecosystems from many other similar zones (Harrington, 1986). Due to sensitivity of the semi enclosed marginal sea of the Persian Gulf, from the ecological and environmental points of view, it is important to study the global warming impact and increased sea surface temperatures on coral ecosystems (Owfi et al., 2004). This area is a very shallow sea with an average depth of about 35 meters located on continental shelf (ROPME, 1999). At present, our knowledge and information about some of coral reef sites in the Iranian waters is not complete; some of them are protected area or marine national park such as: Shidvar, Khark, Khargo, and Faorur Islands, and Nayband Bay (Rabbaniha & Owfi, 2007).

The Persian Gulf coral reefs structure includes two different types. The dominant type is fringing corals surrounding all Iranian islands of the Persian Gulf from 1-20 meter depth (Rezaei, 1996). This zone is mostly covered by Acroporidae species, whereas the dominant species in deeper water are mainly Poritidae and Faviidae (Shokri et al., 1999). This occurs almost around all islands, but in some Hormuz strait islands including Qeshm and Hormuz we cannot find any dominant fringing corals. The second type of coral structure is patchy corals in shallow waters along the shoreline, such as Bandar Taheri Port and Nayband Bay in Bushehr province (Owfi et al., 2010).

Methodology

According to the main aim and goals of the study, our research focused on the results of field investigations in all fringing and patch coral habitats in the northern part (Iranian waters) of the Persian Gulf, from Khark and Khargo Islands in Bushehr province to Hormuzgan province, Hormuz Strait Islands of Hormuz.

Data collection and determination of distribution patterns were based on field observations and surveys at coral sites (Fatemi et al., 1989). The available references were used for identification of coral species. Species were photographed to demonstrate the description of specimen and the corallite structures (Harington, 1986; Sheppard & Sheppard, 1999; Wilkinson, 2010). Also, Manta Tow Technique and Transect survey were done with reference to Reef Check standard methods; the Global Coral Reef Monitoring Network (GCRMN) was the field method (Reef Check, 1998; Wilkinson, 2010).



Figure 1: Distribution of fringing and patch coral habitats of the Iranian Persian Gulf (Source: Shokri et al., 1999)

Results and Discussion

The identification of corals species determined 27 species belonging to 9 families and 20 genera from both types of fringing and patch corals inhabiting the Persian Gulf. According to the check list, Faviidae with 6 genera and 8 species was the most abundant family, followed by Acroporidae with 5 and Poritidae with 4 species as the second and third most dominant coral families. Among the identified species, *Anacropora forbesi* is reported for the first time in the Persian Gulf, and 26 other species have been reported in the studied area.

Based on the field studies and researches on the species diversity of fishes by 6 seasonally marine cruises in the Iranian side of the Persian Gulf & Strait of Hormoz, and a review of all ichthyology and identification references of the this region from 20 years ago, it was realized that the level of coralline species diversity had decreased. Unfortunately, this phenomenon did not happen a long time, but since 20 years ago (Owfi et al., 2004). Before 1990-91, 2 species in 5 years in average gradually disappeared but after 1990-91 with semi fast speed, 3 species in 3 years disappeared in average (Rabbaniha & Owfi, 2007). About 139 species are found on the coral reef and rocky-coral ecosystems of the Persian Gulf and Hormoz Strait (Owfi et al., 2010).

Environmental extremes in the Persian Gulf and Hormoz Strait have limited the distribution of many species (Fatemi et al., 1989). The peak of fish species diversity and population densities of the dominant species exist on well-developed offshore coral reefs. The richest reef fish fauna are also found on the Iranian reefs, especially in the Bushehr and Hormozgan (near Hormoz Strait) province waters, and close to Kuwait and Saudi Arabia diverse reef ecosystems. Among those, some of them are protected areas, wildlife refuge,

biosphere reserve, and marine national parks. There are also sites included in the Ramsar international wetlands list convention (Rezaei, 1996; Owfi et al., 2004 and 2010).

Table 1: Check list of corals species of the Persian Gulf Iranian waters

| Family | Genus | Species |
|-----------------|--|---|
| PORITIDAE | <i>Porites</i> <i>Goniopora</i> | <i>Lutea, compressa, harrisoni</i> <i>lobata</i> |
| ACROPORIDAE | <i>Acropora</i> <i>Anacropora</i> <i>Montipora</i> | <i>Clathrata, downingi, arabensis</i> <i>Forbesi, aequituberculata</i> <i>M. sp.</i> |
| POCILLOPORIDAE | <i>Stylophora</i> | <i>pistillata</i> |
| SIDERASTREIDAE | <i>Siderastrea</i> <i>Anomastrea</i> <i>Psammocora</i> <i>Coscinaraea</i> | <i>savignyana</i> <i>irregularis</i> <i>contigua</i> <i>columna</i> |
| AGARICIIDAE | <i>Pavona</i> | <i>decussata</i> |
| PECTINIDAE | <i>Echinophyllia</i> | <i>aspera</i> |
| MUSSIDAE | <i>Acanthastrea</i> | <i>echinata</i> |
| FAVIIDAE | <i>Favia</i> <i>Favites</i> <i>Platygyra</i> <i>Leptastrea</i> <i>Cyphastrea</i> <i>Plesiastrea</i> | <i>Pallida, speciosa</i> <i>Chinensis, pentagona</i> <i>daedalea</i> <i>transversa</i> <i>microphthalma</i> <i>versipora</i> |
| DENDROPHYLLIDAE | <i>Turbinaria</i> | <i>Reniformis, peltata</i> |

Table2: Behavioral characteristics of the Persian Gulf endemic coralline fish species

| Species | Family | EcologicalGroup | Habitat | Feeding Behavior |
|-----------------------------------|-----------------|--------------------|-------------------------|------------------|
| <i>Blennis persicus</i> | Blenniidae | Coralline | Rocky Beds - Coral Reef | Piscivores |
| <i>Cheilodipterus bipunctitus</i> | Apogonidae | Coralline- Neritic | Rocky Beds - Coral Reef | Benthivores |
| <i>Petrus belayewi</i> | Sparidae | Rocky - Neritic | Rocky Beds - Coral Reef | Benthivores |
| <i>Pseudochromis persicus</i> | Pseudochromidae | Coralline | Coral Reef | Piscivores |

Most coral reefs are located around waters of the Iranian islands and some limited coastal areas, but information and data about their status has not been completed. Here there are sandy flats and mixed communities of live and dead corals, with the best live coral on north and northeastern margins. In shallower depths (5-8 m) there is a higher biodiversity of reef fishes, invertebrates and hard corals, compared to the deeper reef slope (10 m).

There was considerable destruction of bleaching corals, with anchor damage higher in deeper waters (10-15m). Many corals in shallower waters are damaged by uncontrolled recreational activities (ROPME, 1999). The best hard coral growth observed in upper slope was at less than 10m depth (Peak of diversity in 8m) with 22% of live coral coverage, 21% dead coral coverage (Shokri et., al.,1999), 44% of sand and 13%

of invertebrates groups (Shokri et al., 1999; Wilkinson, 2010). Also, dead coral coverage was estimated at 28% of deeper waters (more than 10m) and 48% in shallow waters (less than 10m) (Owfi et al., 2010).

Reef Check surveys showed the highest diversity of fish in shallow waters. The Iranian side of the Persian Gulf has a lower coral species richness and diversity than the southern part belonging to Arab countries including Kuwait, KSA, Qatar, Bahrain, UAE and Oman (Madden et al., 2009), with Kuwait 34 species, KSA 55 species, UAE 34 species and Oman 53 species (ROPME, 1999 & Wilkinson, 2010).

Ichthyoplankton studies of the Iranian waters of the Persian Gulf determined the average density for fish larvae in rocky and coral reef habitats in the studied area including Nayband Bay, Khark and Khargo Islands; respectively, Sparidae, Lutjanidae, Sciaenidae and Scorpanidae were found to be the most abundant. The total fish larval abundance in Nayband Bay as well as southeast Bushehr waters was 45% higher than Khark and Khargo Islands (Rabbaniha & Owfi, 2007). More detailed research and study needs to be done via field survey in the Iranian side of the Persian Gulf, especially around the islands and fringing corals habitats.

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Coastal ecosystem and our life

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Abstract

Coastal ecosystems in Japanese Islands possess a very high primary productivity, which is almost equivalent to that of tropical rain forests, despite being located in the Temperate Zone. One of the most important protein resources in food, which is indispensable for our daily life, has been supported by the secondary production of various aquatic animals living in the fertile coastal seas including tidal flats and enclosed bays since ancient times. Even nowadays, about 70% of the surface area of Japanese Islands is still covered by forest, despite the fact that Japan is one of the most highly industrialized countries in the world. Such forest-rich conditions have been realized partly due to the use of seafood as one of the most important protein resources, since we do not need to clear the forest for developing stock farms with our dietary habits. However, in the past five decades, the ecosystems of the coastal seas have declined markedly in various places, due to various reasons including reclamation of tidal flats and shallow waters offshore the tidal flats in enclosed bays, which are the most productive areas in the coastal seas, for the development of industrial and residential areas, and various economical activities in waterfront areas. To maintain self-sustaining food resources needed for our near-future society, in particular protein resources, we should emphasize on the importance of the seafood caught or harvested in coastal seas, and on the productivity of the coastal seas.

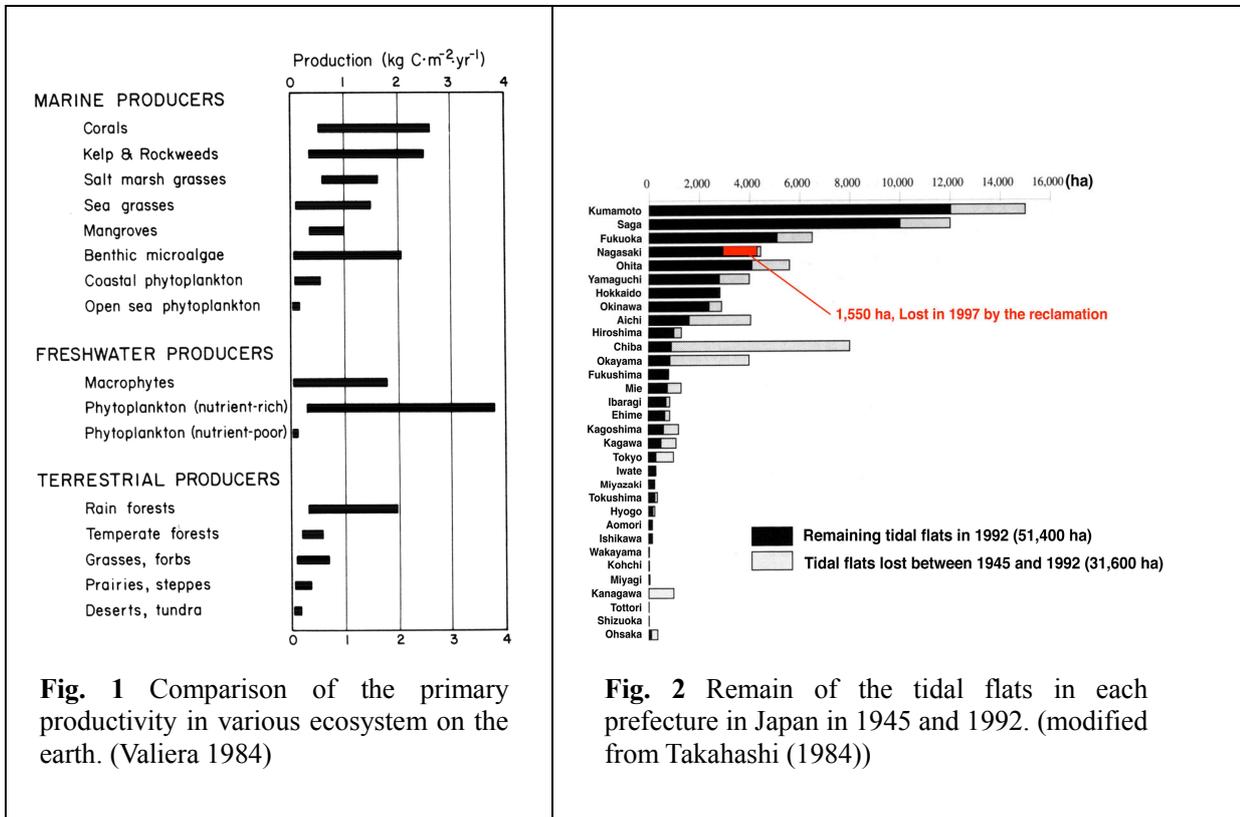
Introduction

Japan is an island country with the total area of 374,774 km². However, the shorelines of Japan Islands extend to over 29,751 km, which is the sixth longest one among all countries in the world. Thus, we are surrounded by seas, and have relied for our daily life on the protein food resources to the fertile coastal seas, at least for over 10,000 years. In particular, the ecosystem of the enclosed coastal seas including tidal flats and shallow waters offshore the tidal flats is extremely productive even in the Temperate Zone (Valiela 1984). There, various algae including kelp and rockweeds and sea grasses often grow thickly, and microalgae, which are mainly diatoms, tend to proliferate on the surface of the sediment on the tidal flats and the sea floor of the shallow waters, utilizing abundant nutrient supply from the lands. The production of these plants as primary producers often reaches over 1 to 2 kg Cm⁻² yr⁻¹, which is almost equivalent to that of the tropical rain forest, or exceeds it in some cases (Fig. 1). Therefore, it is like we have another forest along the coastal line across our country.

In the fertile ecosystem with a large primary productivity, secondary production tends to be extremely large, too. For the people living in the Japan Islands in ancient times, it was very easy to get protein resources as food if they went on foot to the tidal flats near their residential areas, where abundant clams including hard clam (*Meretrix lusoria*, Hamaguri), clam (*Tagillarca granosa*, Haigai), basket clam (*Corbicula japonica*, Yamato Shijimi) etc. occurred. They could collect enough for the meals by hand. The wide distribution of shell mounds of these clams near the ancient residential areas demonstrates how people depended on the clams for food in those days.

Here is another good example that proves how people living in the Japan Islands depended on aquatic organisms collected or harvested from coastal seas as protein resources for food. That is the presence of a big fish market in Edo, which was the capital city of Tokugawa government in the 17th to 19th century for over two hundred and fifty years. In those days, approximately one million people lived in Edo, the area currently inside the Yamanote JR line, in one of the largest cities in the world of that era. Edo faced a big enclosed bay, the present Tokyo Bay, where tidal flats developed in the whole areas. Various clams and small fishes were

collected from the tidal flats and the shallow waters offshore the tidal flats, delivered to the fish market in Nihonbashi, Edo, and distributed to the people every day. Now, ‘sushi’ is one of the most representative Japanese cuisines; it was made in Edo style of ‘sushi’ and was called as ‘Edomae’ in those days (Kabukiza 2013, Morita 2013).



Such utilization of seafood as one of the main protein resources in our history has large implications in the sustainable management of terrestrial ecosystem of the Japan Islands. The present coverage of the forest on the islands is about 66%, which is the second largest in the world. The first and third countries are Finland and Sweden. Their national populations are approximately five and nine million, respectively, while Japan’s population is about 125 million. Although we have a dense population in the small islands, and have the third largest GDP in the world, we have maintained a high level of land coverage by forest since the ancient times. This forest-rich condition has been realized, partly due to the wide use of seafood as one of the main protein resources, since we do not need to clear the forest for developing stock farms to get meat (Shinrin • Ringyou Gakushu Kan 2013).

However, in the past six decades, the ecosystems of the coastal seas have fallen down to critical conditions in various places throughout the world including in forest-rich countries like Finland, Sweden, and Japan as a result of negative anthropogenic impacts (Diaz & Rosenberg 2008). The Baltic Sea, where Sweden and Finland meet, has suffered from the progress of eutrophication, following the frequent occurrence of phytoplankton blooming referred to as ‘red tides’ and hypoxic water caused by the marked increase of fertilizer usage for agriculture (Rosenberg et al. 1990).

In Japan, we have reclaimed coastal areas to create land to develop industries and water front areas for various purposes in the period of the rapid economic growth from 1960s to 1980s. In particular, the coasts of many bays that face big cities, such as Tokyo Bay, Osaka Bay, Ise Bay (Nagoya), Hiroshima Bay, Hakata Bay (Fukuoka), etc., and the heavy industrial areas such as Seto Inland Sea, Dokai Bay (Kitakyushu), etc.

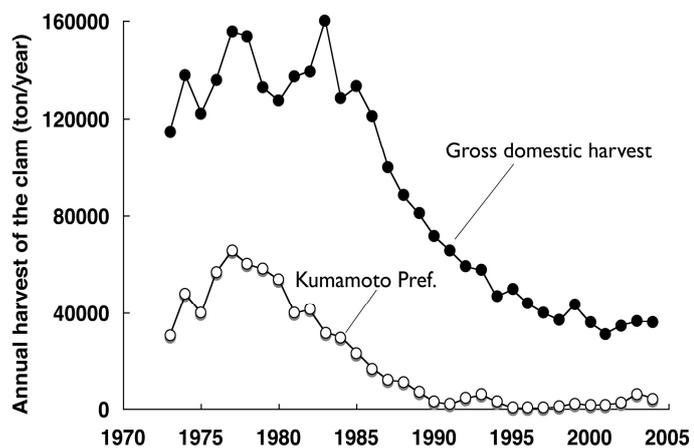
have been almost totally destroyed by reclamation to create lands. The ecosystems of these bays and seas have declined seriously, due to the progress of eutrophication caused by the marked increase of nutrient discharge through the effluent from the factories and water treatment facilities (Takahashi 1984, Ueda et al. 1994, Montani 1998).

Several lagoons and estuaries (eg. Hachirougata in Akita Prefecture, Kojima Bay in Okayama Prefecture, Isahaya Bay in Nagasaki Prefecture) were also reclaimed to create large farm lands to establish a model of a large scale of agriculture. Fig. 2 demonstrates how quickly the tidal flats disappeared from the Japanese coast between 1945 and 1992 (Takahashi, 1984). In this period, the total area of the tidal flats decreased from approximately 83,000 ha to 51,400 ha (about 40% decrease) due to land reclamation.

The ecosystem of the remaining tidal flats has not been kept healthy in its function either. In our studied area, Ariake Bay, located in the west coast of Kyushu, more than 20,000 ha of tidal flats remain even now. The areas are equivalent to approximately 40% of the total areas of the tidal flats remaining in Japan. In these areas, coastal fisheries and harvesting clam are very popular. However, in 1980s the population of short-neck clam, *Tapes* (*Ruditapes philippinarum*, asari), collapsed in the bay. The harvest of the clam decreased rapidly from over 40,000 to 60,000 tons per year to only several thousand tons per year in one decade in the 1980s (Fig. 3). Since the seed clams to help with the recovery of the clam population were distributed from Ariake Bay to other fishery grounds of clam across Japan, the rapid decrease of the clam harvest in Ariake Bay was followed by that of the national harvest (Tsutsumi 2006).

Scientific studies to find the reasons why the clam population collapsed in the 1980s, and has not recovered yet have continued (Tsutsumi et al. in press), but they are not clear still. However, this phenomenon occurred in a period when a large amount of sand was collected as material for concrete from the rivers that flow into Ariake Bay, and the deposition of sand stopped almost on the tidal flats over three decades from 1970s to 1990s. I suspect that the habitat conditions for the clam on the tidal flats deteriorated seriously in this period (Tsutsumi 2005).

Fig. 3 The rapid decrease of the harvest of short-neck clam, *Tapes* (*Ruditapes philippinarum*, asari), in Kumamoto Prefecture that faces Ariake Bay and Japan in the 1980s (modified from Tsutsumi (2005, 2006))



Discussion

Historically, we have depended highly on sea food collected from the coastal seas for the protein resources of our food. However, we have destroyed the environment and ecosystem of the coasts by aiming at the development of our society in the past six decades, and have experienced the crisis of the remaining coastal ecosystems, and might be affected by great losses from the catastrophic environmental disturbances, although it would be difficult to evaluate all of the aspects of the loss economically. However, it is not impossible to keep the coastal environment and ecosystem healthy, even if we exploit the coastal areas for

various activities, if we could control our activities properly.

The term ‘Satoumi’ was proposed as an idea for the sustainable environmental management of the coastal seas. It means that the coastal seas are accessible places for us to conduct various activities needed for our life, while we must take care of their environment and the ecosystem to continue our activities there. Therefore, we must find a way to balance the activities for the development of the coastal seas with those needed for environmental conservation, since the ecosystems established in healthy environments have provided us with a large number of benefits for our life since the ancient times.

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Impacts of climate change on coral reef ecosystems: a case study of Okinawa, Japan

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Abstract

Recent changes in global climate have affected the majority of ecosystems. For example, recent changes in atmospheric and sea surface temperature, precipitation pattern, increase in number of typhoons approaching inlands and run offs, have all put high pressure on the lives of living organisms. Coral reefs, often called the “Tropical Rain Forests under the Sea”, possess an enormous diversity of organisms that is comparable to that of tropical rain forests. The reef structures also play an important role in coastline protection by minimizing the impact of waves caused by storms and Tsunami. However, despite their valuable features, the coral reefs are at risk of bleaching which is presumably caused by a rise in sea temperatures. The present study assesses the status of coral reefs with a focus on Okinawa Islands in Japan. Our assessments focus on the state of coral reefs, their socio-economic values, and a review on the efforts to lessen the impact of climate change on corals. For this study, various data have been collated from the International Coral Reef Information Network (ICRIN), the International Coral Reef Initiative (ICRI), the Coral Reef Conservation and Research Center (WWF Japan), Japan Meteorological Agency (JMA), the Japanese Ministry of Environment Annual Reports and International Coral Reef Research and Monitoring Center, Japan. The findings of our research support the need to establish sustainable resource management and conservation plans of the coral reef, and also the need for long term monitoring.

Introduction

Coral reefs possess an enormous diversity of organisms, comparable to that of rain forests. Moreover, the reef structures play coastline protection role by minimizing wave impact of storms and tsunamis. However, the coral reefs are increasingly at risk from effects of climate change. Coral reefs require appropriate protection both practical and regulatory. In this research we aimed at identification and characterization of coastal management, economic and other environmental factors affecting coral community dynamics in Okinawa.

The tropical sea temperatures have been increasing in the past 100 years (Levitus, 2000) and at least 2 to 4.5°C water temperature rise is expected in the next century as a result of atmospheric greenhouse gases accumulation (IPCC, 2007). This rise in temperature may indirectly increase the occurrence and the magnitude of disease in marine organisms by altering the host susceptibility, infectious capacity and changing the distribution of the parasite organisms.

Coral reefs, often called “Tropical Rain Forests under the Sea” (Connell, 1978), possess an enormous diversity of organisms, comparable to that of rain forests. Moreover, the reef structures play coastlines protection role by minimizing the wave impact of storms and tsunamis. Their long-term sustainability has tremendous ecological and environmental roles and socio-economic values. However, the coral reefs are increasingly at risk due to sea surface temperatures and sea level rises, outbreak of the coral-eating crown-of-thrones starfish *Acanthaster planci* and ocean acidification.

Methodology

The present study assesses the status of coral reefs with a focus on Okinawa Islands in Japan. Our

assessments focus on the state of coral reefs and their socio-economic values. For this study, various data have been collected from the International Coral Reef Information Network (ICRIN), the International Coral Reef Initiative (ICRI), the Coral Reef Conservation and Research Center (WWF Japan), Japan Meteorological Agency (JMA), the Japanese Ministry of Environment Annual Reports and International Coral Reef Research and Monitoring Center, Japan.

Discussion

Environmental disturbances have greatly influenced coral reef communities. However, some of these threats are associated with climate change, such as coral disease and bleaching. In this study, we have focused on three climate change induced disturbances in Okinawa Island; sea surface temperature (SST), outbreak of the coral-eating crown-of-thorns starfish and ocean acidification (sea water pH decrease).

Sea Surface Temperature (SST): The Japanese Meteorological Agency (JMA) record of annual average of sea surface temperature (SST) for south of East China Sea including Okinawa from 1901 to 2012 indicates an increase of 1.15 ± 0.18 C° (figure 1). The abnormal increase of temperature causes physical, chemical, and biological changes in oceans which affect coral reefs and fisheries, both directly and indirectly. The most dramatic impact of temperature rise on corals is the uncoupling of symbiosis among corals and their zooxanthellate algae, on which coral reef communities depends. This symbiosis is destroyed by small increases in temperature since the corals live very close to their upper tolerance limit for temperature (Goreau, 2005).

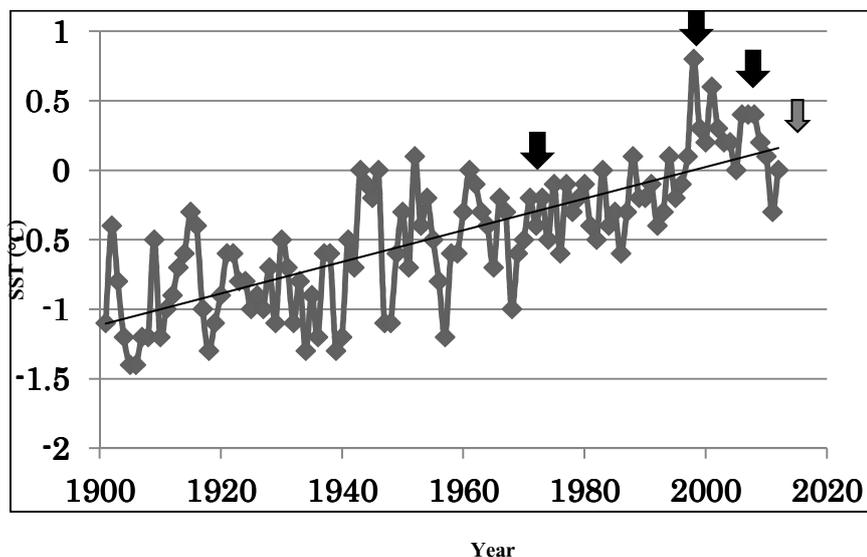


Figure 1: Annual average of SST for South of East China Sea. Arrows indicate the outbreak of *Acanthaster Planci* in Okinawa. Source: Japanese meteorological agency (JMA)

Outbreak of starfish *Acanthaster planci*: Pratchett (2009) suggested that outbreak of starfish *Acanthaster planci* is one of the most extensive and widespread disturbances of coral communities than any other natural or anthropogenic disturbances. For instance, outbreak of *A. planci* continuously occurs in Indo-Pacific region including Japan and results in long term coral loss. The mechanisms of the outbreak are poorly understood and it is not still clear whether they have any anthropogenic origin. Monitoring of corals by the International Coral Reef Research and Monitoring Center, Ministry of the Environment, Japan, from 1983 to 2012, indicates three regimes of starfish outbreaks; 1970s, 1998 and 2007. As arrows in figure 1 indicate the

outbreak of starfish in Okinawa, they overlap with the increase in annual SST rise. The International Coral Reef Research and Monitoring Center, Ministry of the Environment, Japan has outbreak of starfish in summer 2013 (Personal communication). Based on our observation, increase of SST might have some relation with the outbreak and it might be right to expect outbreak occurrence after years of higher annual SST value.

Sea Water Acidification: The Japanese Metrological Agency (JMA) have measured the 10-years average of sea water pH value along 137°E- 30°N, 137°E- 20°N and 137°E- 10°N in winter of 1984 to 2012. The record indicates a decrease of 0.018 ± 0.002 , 0.015 ± 0.003 and 0.014 ± 0.002 respectively (figure 2).

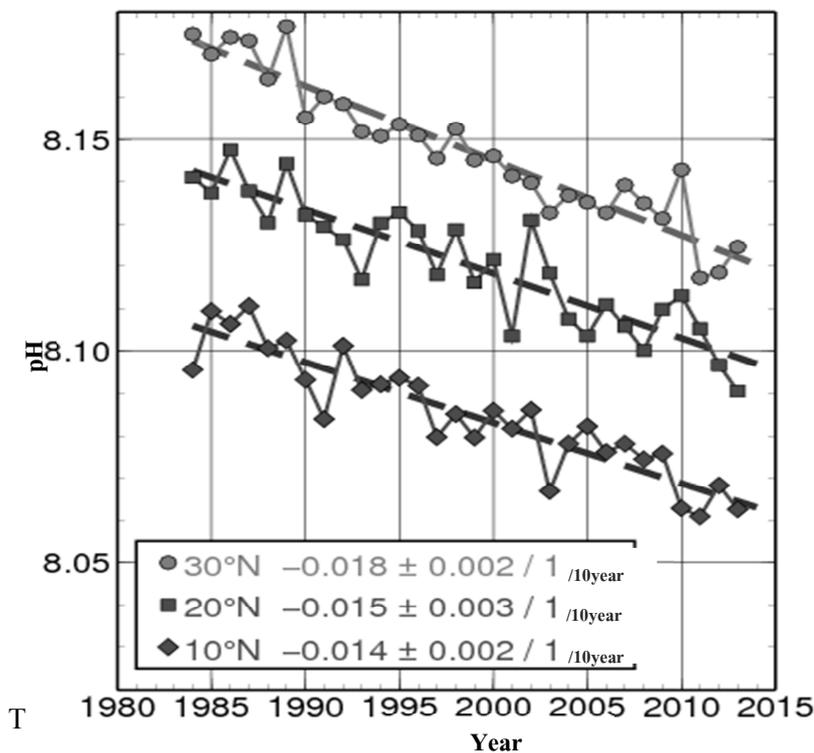


Figure 2: Ten-year average of sea water pH. *Source:* Japanese metrological agency (JMA)

Zooxanthellate symbiotic with algae in coral reefs, are highly susceptible to bleaching and as a result of climate change including ocean acidification through promoting microbial-induced coral mortality. Non-calcifying macroalgae positively respond to ocean acidification, thus intensifying phase-shift from coral coverage to macroalgal domination communities (Ateweberhan, 2013).

Coral Reefs Socio-Economic Values: There has been considerable attention on the values of coral reefs, and some researchers have estimated the socio-economic values of corals in order to initiate and to enhance the conservation and restoration efforts. Cesar et al. (2003) estimates the annual economic value of goods and services of global coral reefs to be at 29.8 billion dollars (U.S.) and 1.66 billion for coral reefs in Japan (See Mahichi et al, 2012, for more comprehensive details of the socio-economic values).

The extensive and continues loss of coral cover and species composition will pose a great threat to their ecosystem services as well as biodiversity. Therefore, there is an urgent need to establish sustainable resource management and conservation plans of the coral reef, and a long term monitoring to protect coral communities.

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Simulation of evolution of agricultural food production in open field conditions

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Abstract

Considering that most agricultural food production will take place in open field conditions, the simulation exercises carried out in this paper identify three states in the adaptation process: (1) Translation analogues for new site selection for crop expansion, (2) Rotation analogues for crop production improvements through the application of advanced technology, and (3) A combination of both Translation and Rotation as the ultimate attempt of highest productivity of the plot. This man-made agro-evolution process is mathematically modeled and simulated using a case study focused on wine-grape production.

Introduction

Cultivation of some crops is limited to certain landscapes or regions mainly because of the favorable climatic conditions stemming from their geographical position. Region's soil, geology and topography as well as the crop species that grow well and produce quality crops are also significant (Kumara, 2013). Together with these factors, certain management traditions practiced for decades contribute to creating the regionalize products with the inherited taste. The international food market is growing, and agricultural lands around the world are under pressure (Malheiro 2010; Seguin 2005) to expand in order to cope with agricultural food demand (Cassim, 2013). This entails the expansion of existing crop fields and the exploration of potential agricultural zones, particularly in newly adapted crop-growing countries.

Methodology

Initial agricultural food cultivation took place on a natural land under certain climatic conditions, on an inherited soil and geological formation, surrounded by certain features of terrain and crop species and varieties would be planted. This man-made agro-evolution process is mathematically modeled and simulated using a case study focused on wine-grapes production worldwide.

Three main stages (Figure 1: green, brown & orange boundaries) of crop growing process focusing on high quality and productivity are labeled here as land under natural limits, general or medium scale improved limits, and an advanced or highly productive limits with the use of precision agricultural techniques, genetically modified crops and photonic food production techniques. Stages in vertical direction upwards come across as a result of improved technology and hence cost in general.

This regular process has taken place for many years with the introduction and adoption of new techniques to improve the quality and production even under certain climatic and environmental influences such as variation temperature, precipitation, pests and deceases. The original location of the field remains as it was while producing the increased quantity with high quality under the use and control of numerous measures. This transformation is identified here as the Rotation, shown in figure 1.

When the variation of influence becomes massive, uncontrollable and uncertain or when it achieves maximum of the lad potential, the original field has to transform to a new location and this is identified as Translation in figure 1. Translation in other words means to us as the moving of land from vulnerable places to the most favorable places for crop production. The next state of the process is a combined effect called

Translation and Rotation.

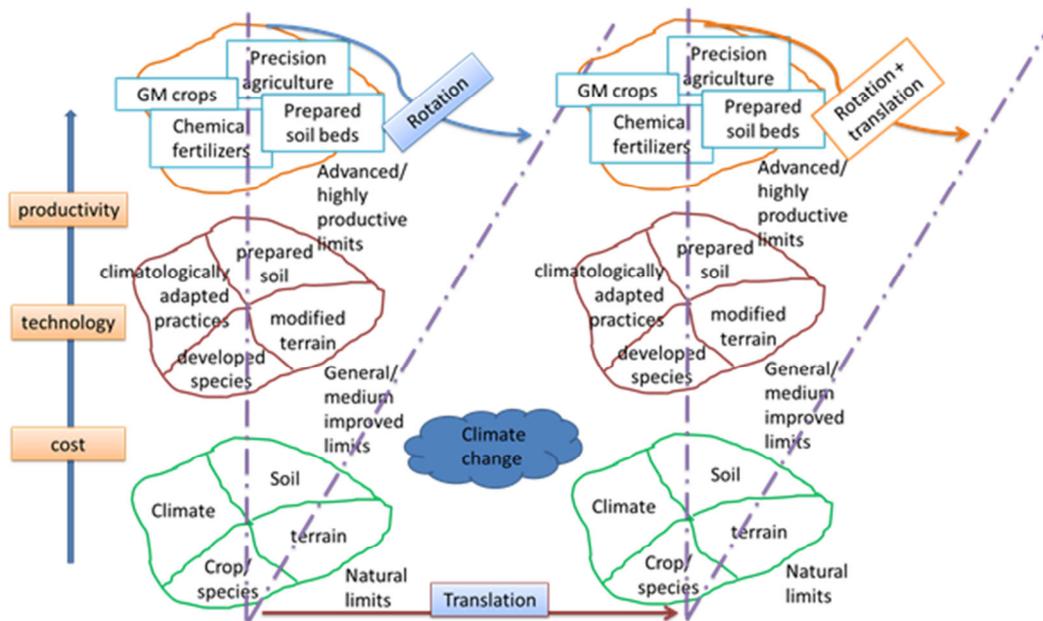


Figure 3: Illustration of main stages agricultural food production process and status

Considering that most agricultural food production will take place in open field conditions, the simulation exercises carried out in this paper identify three states in the adaptation process: (1) Translation analogues for new site selection for crop expansion, (2) Rotation analogues for crop production improvements through the application of advanced technology, and (3) A combination of both Translation and Rotation as the ultimate attempt of highest productivity of the plot.

The initial state of the field is formulated by a 3-dimensional matrix consists of indicators that represent resources (e.g. climate, land, soil, human input etc.) with their initial spatial conditions. Rotation matrix consists of elements that represent effort with positive inputs and environmental/climatic pressure as negative inputs while translation matrix carries the information of spatial transformation.

Discussion

Investigating the factors that primarily influence certain crop growth in those crop fields where certain crops have been traditionally produced and using them to evaluate the potential of agriculture and field management is a promising endeavor (Cassim 2013). One way to utilize the outputs of this work is zoning and site selection (Sanga 2012) which are increasingly important in the context of growing markets and rising food demand.

At the same time agriculture needs to adapt to cope with rapid transformations in the environmental and climatological conditions under which they are grown. The analogue of concept for simulation of agricultural field developed in this research is new. It has not been reported under modeling of crop growth or quality (Overman, 2002) or any other agricultural field simulations yet.

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The national health insurance scheme (NHIS) in Dormaa municipality, Ghana: Why some residents remain uninsured?

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Abstract

This research is a quantitative investigation on the National Health Insurance Scheme (NHIS) in Dormaa Municipality, Ghana, about the reasons why some residents remain uninsured over a decade after its implementation. The aim is to provide policy directions to decision makers to ensure that almost all residents are registered with the scheme. Even though literature has suggested how enrolment could be improved, a decisive and systematic way to achieve such targets has not been found in empirical studies. My analysis adopted a chi square test of significance and regression models to examine how socioeconomic and demographic features affect enrolment and may destabilize the effort of achieving universal health coverage. Findings suggest that residents' decision to enroll is associated with age, gender, literacy, education, marital status, number of children, place of residence, employment and financial constraints. The discussion of the findings may provide insights for the policy guidelines of NHIS in their attempts to maintain and increase enrolment, ensuring that the vulnerable are guaranteed quality, accessible and affordable basic healthcare protection according to the principal objective of "health insurance for all" in Ghana.

Introduction

Good health is the key to the sustainability of economic and social development thereby lessening of poverty in society. Access to the required healthcare needs is essential and vital to maintain and improve health. Simultaneously, people need to be protected from poverty due to the costs of seeking healthcare.

Universal health insurance could be provided by the central government or through the so-called social health insurance. In some instances health insurance is purchased by a group of people in a community, an organization or an individual. In each case, the idea is to protect people against any financial restrictions that may arise on the account of medical events. Premiums are paid yearly to cater for beneficiaries' health related needs. In May 2005, the fifty-eighth World Health Assembly adopted a resolution (WHO, 2005) urging member states to consider using alternative mechanisms of resource mobilization including social health insurance.

Ghana mostly relies on international support for human and capital development, faced with a slow pace of economic advancement and institutional limitations which explain the need to robust measures to finance healthcare. The National Health Insurance act ACT (650) backed by legislative instrument (LI 1809) was passed in 2004 with the sole responsibility of ensuring free access to quality healthcare for all without any difficulties through the establishment of mutual health insurance schemes in all districts in the country (Yevutsey & Aikins, 2010).

The law established the National Health Insurance Authority (NHIA) to regulate, facilitate and coordinate the activities of all district based health insurance schemes across the country. The 2011 annual report of NHIS indicates a total active membership of 8.2 million representing 33% of the population. So the question that remains unanswered is why after almost a decade, a significant number of people are still unwilling to register? Could this be attributed to an institutional problem or the general public? This study aims at identifying the specific obstacles that affect residents' decision to enroll in the scheme and offer credible remedies based on available facts to cure this mischief using Dormaa Municipality as a reference point.

Methodology

The analysis used a total of 230 responses obtained through field interviews and self-administered questionnaires. A descriptive cross-sectional study was used with simple random sampling. The dependent variable is health insurance subscription and the predictors are the socioeconomic and demographic features such as age, gender, literacy, education, number of children, place of residence, employment and income.

Discussion

Respondents were selected from different socioeconomic and demographic characteristics to reflect the situation pertaining in the municipality without aiming at producing any biases to achieve the set hypothesis. The statistics showed that the majority of the respondents (61.3%) is in their early 40s or younger which are classified as economically active. The 2010 population and housing census by the Ghana Statistical Service had also estimated that 60% of the population falls within the ages of 15-64 years. So any policy intervention by stakeholders to achieve universal coverage must target the youth. Also, 54.30% respondents were female.

Even though 60.0% confirmed their membership with 40.0% non-subscribers, none of them objected to the fact that health insurance is very important for financial protection at the time of seeking healthcare. The information regarding the existence, activities and operations of the scheme are well communicated according to the data gathered and this could be attributed to both electronic and printed media campaigns by all stakeholders to sensitize people on the need to be enrolled.

The means of transport by the residents in the municipality is largely by road and this was confirmed by respondents. About 55.2% of the respondents spend 30 minutes or more to access an accredited NHIS health facility and this was seen as a challenge to enrollment when 72.2% of respondents answered that they cannot access medical care due to safety (18.2%), transport (34.1%) and financial causes (47.6%).

Socioeconomic characteristics such as age, gender, education level, literacy, income, place of residence, number of children, employment, marital status and the satisfaction of services provided by facilities and health insurance staff was analyzed and linked to enrollment. The findings suggest that all the features and the satisfaction in one way or the other affect enrollment. The analysis showed that 33.4% can neither read nor write which might be influenced by their education level. (9.3%, 58.4% and 32.3% respectively corresponds to respondents with no education, education up to Middle/JHS level and up to the tertiary level. The level of education and literacy has been discovered by other researchers such as Jutting (2000), (Kirigia et al., 2005) and (Mensah, Oppong, & Schmidt, 2010) as a significant factor for the demand for insurance and medical care. Their results depict that as people move towards getting higher education, they tend to understand the need to pay for their healthcare in advance to prevent unforeseen catastrophic health expenses. The gender was also observed as one of the major determinant to enrollment as more women (65.8%) subscribe to the scheme than men (52.6%).

The NHIS also placed its focus on meeting the health needs of the poor by providing a guaranteed health security based on the principles of impartiality, value for money, cohesion, risk allocation and communal possession. The age of the respondents was discovered to positively affect enrollment. As people grow older, the health situation also falls. This motivates them to invest in their healthcare. The exception in the age situation is respondents between the ages of 44-56 which has 46.3% and 53.7% subscription and non-subscription respectively. This was probed further and discovered that a majority of them (58.5%) lived in the city with so many healthcare choices.

Respondents with high income show a high chance of subscribing to the scheme. But as their incomes grow bigger, they tend to look for other options elsewhere. This signifies the need for the scheme to revisit the benefit packages to make it more attractive to high income earners. On the contrary, the results signify that the problem of affordability is an impediment in the quest to demand insurance. This difficulty relative

to the current economic situation of the residents calls for the reexamination of the exemption procedure of the scheme to benefit the poor and the vulnerable in order not to contradict the NHIS slogan of “health insurance for all”.

The respondents who live in rural areas have higher subscription (67.3%) than people in urban centers (52.0%). This was investigated further and it was observed that people in rural communities can have access to other medical facilities only when they travel to the district capital or beyond which is more costly. This means that even if the quality of healthcare is suspect, they do not have many choices. But their counterparts in the cities have more choices in both public and private healthcare services.

Marital status (74.0%) and the size of the family (two or more 64.3%) of the respondents had a positive effect on enrollment. Married couples tend to demand health insurance to protect themselves and their children. It is argued that having children adds more responsibilities and exposes parents to the jeopardy of health expenditure as compared to singles. Divorce (75.0%) also stands a high demand for health insurance as they do not have partners to share their concerns should they encounter any catastrophic health cost.

The type of employment determines the amount one would receive at the end of the month. As noted earlier, the main occupation of the people in the municipality is agriculture (62.0%) which is predominantly on the subsistence basis. The activities of these farmers are confronted with seasonal bush fires and thus low income levels to the majority of farming communities. Comparing income vis-à-vis the expenditure patterns by the Municipal Assembly composite budget for the 2013 fiscal year seems to suggest that the bulk of their income goes to food (44.80%) followed by education (14.48%) before health (7.60%). This informs policy makers to intensify education campaign on the need to invest more in their health and also support and encourage commercial farming to enrich income levels.

The findings of the satisfaction provided by the health facility and NHIS staff suggest that in general, people are not satisfied so far with the kind of services they receive. It is evident that with the implementation of the NHIS, the facility attendance has significantly increased without a corresponding increase in the existing health infrastructure and equipment as well as human resource capacity. This situation has naturally resulted in an extra amount of work and extreme pressure on the facilities and condensed care to patients. The condition in some communities is grave because referrals have increased over the years while the number of health professionals has considerably decreased. The low quality of services received from health providers and unsanitary conditions at the facility, long waiting times, bad attitude of medical personnel, non-availability of drugs and access to healthcare were all cited. This situation is greatly affecting enrollment and could not be left unattended since the ultimate objective of the scheme is to ensure quality, easy, affordable and efficient healthcare services for all residents.

Easy access to healthcare was seen as unsatisfactory in the eye of the respondents. About 27.0% responded that they have to travel an hour or more before they could access healthcare considering the deplorable nature of some of the roads. It was observed during data collection that vehicles travel to some of the rural communities only on Tuesdays, the market day in the district capital. Apart from this, they could travel by walking distance to a nearby village to continue the journey. These circumstances pushed a lot of them in applying for local medication as a means of treating ailments. This situation is unhealthy and does not promote and encourage the willingness to demand health insurance.

Conclusion

Findings from the research suggest that residents’ decision to enroll is correlated with age, gender, literacy, education, marital status, number of children, place of residence, employment and financial constraints. It rests on decision makers to set up policies that will improve the current situation in the health sector to meet the needs and expectations of the general public. This is very important as providing a furnished medical

facility to the doorsteps of the people have both health and economic importance.

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Panel: Public Health (chaired by Professor Ghotbi)

Community-based TB activities in rural Indonesia: a case of government – NGO partnership for TB control

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Abstract

This study describes the concept of government–NGO partnership for TB control in rural areas of Indonesia using community-based TB control activities conducted in Kayong Utara District, West Kalimantan as a case study. It also determines the factors related to the sustainability of the partnership and analyses how the combination of these factors has affected TB control in the research area. A qualitative methodology with a case study approach was selected to best explore the partnership, provide insight to factors posed as catalysts or barriers to the partnership, and analyze the relation between these factors. The data were collected through documents, observations, in-depth interviews, and group discussions. 16 respondents, from government, NGO and community, participated in the interviews. Qualitative data analysis software atlas.ti version 7.1.1 was utilized for coding and analyzing the emerging themes. Triangulation was carried out during the whole process of data collection and analysis through comparison of different types of data and multiple interviews.

Introduction

According to Global Tuberculosis Report 2012, Indonesia demonstrates the fourth highest incidence of tuberculosis (TB) in the world after India, China and South Africa (WHO, 2012). With its vast geographical variation, Indonesia faces relevant challenges in TB control and needs specific planning and collaboration between actors providing healthcare in the area. In the eastern part of Indonesia, especially rural areas, where the government capacity is not as strong as in the central area, a partnership between local government health offices and NGOs or community-based organizations to support health provides an opportunity to improve TB control (Basri, Heitkamp, & Mehta, 2007).

NGO involvement in Indonesia started in the late 1970s and further expanded after the fall of President Suharto's government in 1998. Increased external funding for NGOs resulted in a wider involvement of NGOs in activities such as socioeconomic and health activities (WHO, 2008). Even though there is a general recognition of the importance of NGOs role in Indonesia's health sector, there is no accurate information on the number of NGOs providing healthcare services, or the number of NGOs engaged in TB-related programs. WHO Country Cooperation Strategy 2007–2011 gave the overall figures from 8,000 to 13,000 as the approximate number of NGOs providing healthcare services in the whole country (WHO, 2008).

As shown in researches conducted in Indonesia, several public–private partnerships for DOTS (Directly Observed Treatment Short-course) implementation have been initiated. The focus of such partnership was to engage National Tuberculosis Programme of Indonesia (NTP) with private sectors, in this case public and private hospitals through Hospital DOTS Linkage (HDL) and private practitioners (Basri, Heitkamp, & Mehta, 2007; Irawati et al., 2007; Mahendradhata et al., 2011). Several pilot projects in relation to these partnerships, conducted mainly in the central regions of Indonesia, demonstrated positive results for this partnership. However, the limited studies on government–NGO partnership, especially in rural area outside Java and Bali Islands provide room for further research.

This research aims to describe and explore government–NGO partnership for TB control in rural areas of Indonesia. In response to the need for strengthening partnership with all available partners for TB control in Indonesia, this research will contribute by describing the partnership between government and NGO in rural areas and defining relevant factors related to the success of the partnership.

To obtain the purpose of this study, the general research objective is to understand the concept of government–NGO partnership for TB control in rural areas and factors related to its success. The specific research objectives are: 1) To describe the existing government–NGO partnership in community-based TB activities, the stakeholders involved, and the outcome of such partnership; 2) To explore positive and negative factors posed as catalysts or barriers to the partnership; 3) To identify opportunities and threats to the partnership; and 4) To understand how this factors are interrelated to support TB control in the research area.

Methodology

A qualitative methodology with a case study approach was selected to provide in-depth understanding of the partnership by selecting a case of government–NGO partnership in community-based TB activities for TB control in Kayong Utara District, West Kalimantan.

The data were collected through documents, observations, in-depth interviews, and group discussions. In-depth interviews were conducted by involving 16 respondents, from government, NGOs and the community, purposefully selected based on their role, understanding and the length of involvement in the partnership. All interviews were voice recorded after the consent was obtained; field notes were also taken during the process of data collection. The interview records were further transcribed at the field level to allow opportunity of cross checking unclear information and exploring new emergent themes (after Ulin et al., 2004). As soon as the field notes and voice recorder transcriptions were developed, data analysis was done through a continuum of analysis strategies, editing analysis, after Miller (1999). Qualitative data analysis software atlas.ti version 7.1.1 was utilized to put coding and analyze the emerging themes. Triangulation was carried out during the whole process of data collection and analysis through comparison of different types of data and multiple interviews.

Discussion

A conceptual framework was developed to describe the partnership and the stakeholders involved in the TB program activities. Following Ullah, Lubben, and Newell (2004) generic model of partnership, key service components in TB control program were identified. As one of the key service components, it was found that coordination inside government level, from District Health Office (DHO) to Primary Health Centre (PHC), and between PHC and NGO were lacking. Lack of coordination in several stages of partnership resulted in misperception of the responsibility of each partner and unaddressed issues. The partnership improves case holding—the adherence of TB patients' to complete TB treatment by ensuring the drugs are properly taken—and case finding through the role of DOTS workers. It also increases awareness of the disease by educating and involving community member in TB control program.

Strong commitment to eradicate TB from this area, expressed by respondents, serves as a major catalyst for the partnership; legally, it is implemented through MOU between DHO and NGO signed in 2012. Different standard regimens of TB treatment given by the NGO used to be a significant barrier for the partnership. Later, the inadequate number of human resources also created challenges in delivering services. The sustainability of financial resources and increase development of infrastructures provide opportunities for the partnership to expand its coverage, although inadequacy of access can also pose a threat since large areas of the district are not covered by a minimum standard of infrastructure.

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Psychological support for revitalization and development through the Morita therapeutic approach

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Abstract

On March 11, 2011, a massive earthquake and tsunami occurred in Eastern Japan. To recover from this disaster, various fields of specialization such as economics, environmental studies, international relations, politics, sociology and psychology must cooperate and join forces. Since I work in a mental clinic and use Morita psychotherapy, I'd like to make a contribution from the position of a psychologist. Morita therapy is a form of psychotherapy developed for neurosis, created by Shouma Morita. Its central point is accepting anxiety or conflict just as it is. As a technique in counseling, the therapist and client discuss about rigid thinking and behavior of the client, review the attitude towards anxiety and symptoms, and the therapist supports the client in changing from a passive to an active life. In this report, I connect psychological recovery from disaster to the fear of death, and the review of life helps one to recover from the mental damage of the disaster. I report on three cases (personal anxiety, obsessive-compulsive disorder, panic disorder). As a result of Morita psychotherapy, they changed their attitude from one of trying to erase anxiety to one of trying to find how to be of help even with some anxiety remaining. Their anxiety and grief from the earthquake were alleviated, and they were able to begin to think of how they could be useful in the revitalization and development of Japan. Hopefully this model of Japanese spirit, concretized in Morita therapy, will be useful for other countries facing similar problems after disaster.

Introduction

On March 11, 2011, a massive earthquake occurred in Eastern Japan, followed by a large tsunami. The tsunami inundated the Sanriku coast and along with the earthquake caused widespread damage from Tohoku (Northeast Japan) to Kanto (Central Japan). There was also damage resulting from the leak of radioactivity from the nuclear plant which together caused a large-scale disaster in the region.

To recover from this disaster, various fields of specialization such as economics, environmental studies, international relations, politics, sociology and psychology must cooperate and join forces. In this presentation, I would like to make a contribution from the position of a psychologist.

Methodology

I work in a mental clinic and use Morita psychotherapy. Morita therapy is a psychotherapy developed for neurosis, created by Shouma Morita (1874-1938). Western methods of therapy like psychoanalysis, cognitive therapy, or behavior therapy try to control anxiety. On the other hand, a feature of oriental Morita therapy is to accept anxiety. Concretely, during the counseling, therapist and client discuss the rigid thinking and behavior of the client, review the attitude towards anxiety and its symptoms, and the therapist supports the client in changing from a passive to an active life.

Many human lives were lost in the earthquake on March 11. Everyone who experienced the earthquake directly or indirectly had to consider the problem of life and death and to face the fear of the death. In counseling the clients talked about their earthquake experience. In this presentation, I will examine what kind of feelings people had and how life review helps people recover from the mental damage and eventually may contribute to the revitalization and development after the disaster.

Findings and Results

I report on three cases (personal anxiety case A, obsessive-compulsive disorder case B, panic disorder case C). On the day of the disaster they experienced the earthquake indirectly in the Kanto district.

Case A frequently talked about fear of experiencing the earthquake and the fear that he/she would die. In Morita therapy, it is thought that there is a desire to live which is the reverse aspect of anxiety. And so Morita therapy reframes anxious feelings in a different way from the desire. In this case, it is thought that desires are two sides of the same coin, so I pointed that out and talked to the client about how to use his desire as a healthy desire. As a result, his symptoms of personal anxiety were reduced, and he began to think about how to live a useful life. He decided to help with his uncle's business.

Case B suffered from a severe obsessive-compulsive disorder that centered on mysophobia. However, when her relatives were damaged by the earthquake, she changed her attitude and began to move to support victims, saying she could no longer just worry about herself. In the counseling, I empathized with her various feelings such as anxiety, grief, and so on, and supported her behavior to help the relatives who were hurt by disaster. Concretely, while contacting them she sent general merchandise and put her own symptoms aside, moved to help actively, and became able to take action to support the victims.

Case C worked as a welfare worker for the mentally retarded, but suffered from panic symptoms often because of the stress in the workplace. However he recognized that the mentally retarded could not defend themselves in the disaster; so he began to simulate how to help the mentally retarded in case of a disaster. Meetings to take precautions against disaster in the workplace were carried out frequently. Results were mental stability and confidence regained by the process. His panic symptoms disappeared.

As a result of Morita psychotherapy, these clients changed their attitude from one of trying to erase anxiety to one of trying to find how to be of help even with some of the anxiety remaining.

Conclusion

Although they felt the fear of death from an earthquake, these clients were able to achieve mental support and become active. First of all, it is important that their anxiety and grief of experiencing the earthquake are alleviated, secondly they were able to begin to think of how they could act for others and the surroundings, and how they could be useful in the revitalization and development of Japan, and how they could think and live their life earnestly, and lead the country's revitalization and development.

Hopefully this model of the Japanese spirit, concretized in Morita therapy, will be useful for other countries facing similar problems after disaster.

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Building resilience to natural disasters and major economic crises

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Abstract

Resilience has been increasingly looked at from multiple lenses. The concept that started with environment and ecological dimensions has now graduated further encompassing economic and social aspects. It has moved from sectoral to multi-sectoral, and converges as an effective strategy to achieving sustainable development aftershocks. The ESCAP Study defines the concept of resilience to natural disasters and major economic crises. To highlight why this concept is becoming increasingly important the study undertakes a multi-sector trend analysis to illustrate the convergence of seemingly unrelated events and variables in recent years, with severe impacts on lives of people from all walks of life. Finally, an effort is made to develop a conceptual and methodological framework for the measurement and mapping of resilience at national and sub-regional levels.

Introduction

The major milestone that recognized the crucial need to build resilience was the adoption of the ‘Hyogo Framework for Action 2005-2015: Building the Resilience of Nations and Communities to Disasters’ (A/CONF.206/6 and Corr.1, chap. I, resolution 2), and followed by its endorsement by the General Assembly in its resolution 60/195 on the International Strategy for Disaster Reduction. Subsequently, a report of the Secretary-General emphasized that reducing disaster and other social and economic risks is crucial in order to accelerate progress towards the Millennium Development Goals.

Recognizing that multiple crises are becoming more frequent, the Fourth United Nations Conference on the Least Developed Countries, in adopting the Programme of Action for the Least Developed Countries for the Decade 2011-2020, identified “multiple crises and other emerging challenges” as one of the eight interlinked priority areas for the sustainable development of least developed countries. Resilience has been increasingly looked at from multiple lenses. The concept that started with environment and ecological dimensions has now graduated further encompassing economic and social aspects. It has moved from sectoral to multi-sectoral, and converges as an effective strategy to achieving sustainable development aftershocks.

The most contemporary thoughts on resilience have been captured in Rio+20 Outcome document, “The Future We Want”. It emphasizes the need for building resilience in several economic, social and environmental spheres, and call for urgent actions. In particular, the Outcome document calls for “disaster risk reduction and the building of resilience to disasters to be addressed with a renewed sense of urgency in the context of sustainable development and poverty eradication, and, as appropriate, to be integrated into policies, plans, programs and budgets at all levels and considered within relevant future frameworks.”

It further invites “governments at all levels as well as relevant subregional, regional and international organizations to commit to adequate, timely and predictable resources for disaster risk reduction in order to enhance the resilience of cities and communities to disasters, according to their own circumstances and capacities.”

Methodology

The ESCAP Study defines the concept of resilience to natural disasters and major economic crises. To highlight why this concept is becoming increasingly important the study undertakes a multi-sector trend analysis to illustrate the convergence of seemingly unrelated events and variables in recent years, with severe impacts on lives of people from all walks of life. Finally, an effort will be made to develop a conceptual and methodological framework for the measurement and mapping of resilience at national and sub-regional levels.

Discussion

Simultaneous occurrence of multiple shocks, particularly economic crises and natural disasters, that have bi-directional impacts, is becoming increasingly the “new normal” in Asia and the Pacific. Apart from the loss of lives which is unquantifiable, a natural disaster of significant magnitude would affect fixed assets and capital stock, raw material and extractable natural resources, productivity and GDP. While the transmission mechanisms are not clearly understood at the moment of these losses, likely macroeconomic impacts of natural disasters may be a deteriorating trade and fiscal balances, worsening debt sustainability, rising inflation, and exchange rate volatility.

Macroeconomic framework for resilience:

Confronted with an already weakened macroeconomic environment as a result of economic slowdown, policymakers face an unenviable dilemma of how to handle the added challenge, using the limited number of macroeconomic instruments they have. This is a particularly worrisome reality for LDCs, small and less diversified economies. In addition, notwithstanding the well documented fact that crisis/disaster prevention is often less costly to governments than spending on relief efforts, economic policy makers are largely in uncharted territory when it comes to integrating crisis/disaster risk reduction into macroeconomic policy making.

Drawing from experiences across the region and elsewhere, this study attempts to shed light on the above mentioned dilemmas faced by policy makers. It will put forward pragmatic guidelines of a macroeconomic framework that promotes resilience to economic shocks and natural disasters for countries at different levels of development and facing specific circumstances, e.g. landlocked and small island; what these countries can do to mitigate their inherent vulnerability and enhance their ability to bounce back or recover following an adverse shock.

Building resilient communities:

Persons most vulnerable to negative physical or economic effects of crises and disasters should be at the core of any strategy to achieve resilient and inclusive communities. This comprises those who are poor, ageing, have disabilities or are socially marginalized and lacking safety nets or social capital. Their vulnerability means that they are hit the hardest by crises or disasters and take much longer to recover. More often than not, they work in vulnerable employment and/or live and make a living in locations that are at high risk of being damaged when natural disasters strike. They also have fewer and less effective buffers, while crises of any form push them into a vicious cycle of poverty. They are forced to respond with measures that keep them poor in the long run: taking high interest rate loans, reducing the number and quality of meals, postponing health-related expenditure and withdrawing children from school.

Despite these tremendous hardships, there is also evidence where communities and their most vulnerable segments have learnt from past adversities and bounced back stronger and better-prepared to handle future shocks. Several inter-related factors seem to be at work. Some of the contributory factors common in many success stories include: well-targeted social protection; innovative and affordable risk transfer/retention instruments, investments in community-based preparedness; effective information sharing

and partnerships; and awareness building related to crises/disasters. Promoting comprehensive systems of social protection that provide universal access to social services and a minimum level of social security and health for all is one way of contributing to long-term resilience.

More equitable societies are also associated with better coping mechanisms and resilience. Strong institutions, particularly functioning structures and systems at local levels, and well-coordinated national, provincial and local governance structures play a crucial role in building resilience at community levels.

Based on lessons learned and good practices across the Asian and Pacific region as well as beyond, the study examines the factors, including gender roles, which contribute to community resilience to multiple shocks. It puts forward a set of policy measures and instruments that may enhance resilience and play a role in reducing vulnerability.

Protecting supply chains:

Globalization has transformed business environments worldwide, particularly in the fast growing Asia-Pacific region. The rapid expansion of global supply chains, which are cross-border business and production networks, allows firms to allocate scarce resources more efficiently than ever before. The advancement of information and communication technology (ICT), the development of international logistics systems and the reduction of trade barriers have all facilitated the integration of economies through the web of global supply chains with the concept of just-in-time production.

Integration into global value chains has made it possible for many Asia-Pacific economies to establish strong manufacturing bases and benefit from increased exports. However, this closer integration could potentially increase economic vulnerability through higher exposure to direct and indirect effects of natural disasters. Recent natural disasters in Japan and Thailand demonstrate that any disruptions to a single node of production may lead to a breakdown of the entire production chain and have significant impacts on production and export performance of all countries in the production networks. Measures are needed to mitigate the risks of economic vulnerability arising from disruption in the global supply chains.

Apart from the damage to manufacturing production hubs, disruptions to value chains seriously affect the agriculture sector, resulting in rising food prices and devastating impacts on food security. The large scale disruptions of agricultural supply chains, triggered by Pakistan floods 2010, Russia 2010 heat waves and South East Asia floods 2011, have been the recent examples in this regard.

The study explores the sources of vulnerabilities associated with the proliferating production networks, and the options and strategies for the governments and businesses of Asia-Pacific economies to protect the burgeoning value chain networks in order to ensure their resiliency to future disruptions.

Minimizing the exposure of critical sectors:

Inherent vulnerabilities in certain critical sectors could either cause a crisis/disaster or act as transmitters of a localized crisis/disaster to a larger system, such as the economy. While resilience building should penetrate into all sectors of development, it is crucial that clear safeguard measures are put in place to protect these critical sectors, so that cascading impacts when a crisis or disaster hits is contained and minimized.

In many cases, inherent market failures of certain sectors make them highly exposed to crises/disasters. Financial sector, with its intrinsic vulnerability due to moral hazard is one such sector that is prone to failure unless properly regulated. Similarly, tremendous pressure is put on hazardous land, as populations and cities grow at an unprecedented rate in Asia and the Pacific—exposing human systems to increased risk of natural hazards. Ecological crises of today will manifest in natural disasters of tomorrow.

Adequate regulations and other measures, in particular the land use planning in coastal areas, flood-prone river basins and drought prone agricultural systems are critical to minimizing the high exposure.

In addition, having safeguard measures are crucial for some “critical infrastructure” so that they do not fail during natural disasters. It is documented that the maximum loss of lives takes place due to the collapse of crucial social infrastructure such as schools, hospitals and community buildings. And largest economic

losses from disasters are due to the collapse of major supply roads, bridges, power, water systems (dams, reservoirs) and crucial communication lines. In addition to direct losses, the interruption of economic activities in the affected areas, and the diversion of scarce resources to recovery and rehabilitation that could be otherwise invested in development, will reduce national production, discourage investment, and inevitably slow economic development.

Since development strategies are not yet viewed through resilience lenses, neither these vulnerable sectors are identified systematically and prioritized in national plans, nor are adequate disaster/crisis risk reduction measures put in place. Despite the well documented evidence that prevention is cheaper than post crisis/disaster operations, risk reduction is rarely operationalized in macroeconomic policy or at micro-level, sector specific policy making. National insurance systems rarely provide effective protection in disasters, and a few countries use regional reinsurance schemes to ensure guaranteed safeguard mechanisms.

Conclusion

Building resilience through regional cooperation:

The road to resilience involves multisectoral approaches with a holistic strategy that promotes appropriate macroeconomic, social and sectoral policies; enhances national preparedness; and puts in place the necessary governance structures, including community based structures for efficient early response, adaptation and coping mechanisms. Enhancing regional cooperation is an essential component of this holistic strategy because countries are increasingly faced with economic crises and natural disasters that have cross border impacts. Having a mutually reinforcing strategy to build resilience and share lessons, practical knowledge and experience across countries and sub-regions is therefore of paramount importance.

Going beyond a singular existential risk and broadening the canvas of resilience building calls for multi-sectoral approaches to regional cooperation. Recognizing the centrality of regional cooperation, the study highlights the areas where regional cooperation, including sub-regional coordination mechanisms and South-South cooperation, has a role to play. Issues of global economic governance will also be considered. It also reviews existing regional and sub-regional cooperation mechanisms to explore how to integrate the critical elements of resilience into their frameworks and implementation structures.

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Post-Great East Japan Earthquake rail reconstruction: The case of Miyako City, Iwate Prefecture

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Abstract

The March 2011 Great East Japan Earthquake caused widespread destruction of coastal communities in the Tohoku Region of northern Japan. The city of Miyako in Iwate Prefecture was inundated by record-breaking tsunami waves that destroyed much of the city's coastal rail network. Although much of the infrastructure in the region has since been rehabilitated, the reconstruction of the city's rail lines has stagnated due to differences over its economic viability, financing, and importance to the community. Interviews were conducted with city officials, community organizations, and rail representatives in January 2013. This paper critically examines the political-economic aspects that influence the ability of municipal governments and rail operators in restoring rail service after a disaster.

Introduction

On March 11, 2011, a USGS magnitude 9.0 earthquake struck the Tohoku region in Northern Japan, with its epicenter located 129 kilometers west of Sendai City in Miyagi Prefecture. The earthquake also triggered devastating tsunamis that destroyed many communities along the Tohoku coastlines. In addition to the earthquake and tsunami, a nuclear facility in Fukushima Prefecture experienced a nuclear meltdown leading to the release of radioactive materials in the area. The triple disaster has contributed to 15,883 deaths, 6,143 injured, 2,681 missing, tens of thousands displaced, and estimated damages of \$235 billion, making the disaster costlier than the 1995 Great Hanshin earthquake (NPA 2012).

The city of Miyako, located on the central coast of Iwate Prefecture, was ravaged by the highest tsunami wave ever measured in Japan with a maximum run-up height of 37.88 meters (USGS 2013). The casualties caused by the tsunami include 509 dead, 33 injured, 67 missing, and 8,836 displaced. The municipal government estimates that 18,379 residents, or roughly one third of the city's population, live within an inundation zone. The region however is no stranger to earthquakes as there have been at least thirteen powerful earthquakes since the late 19th century. The most significant of these earthquakes are the 1896 Sanriku Earthquake and the 1933 Sanriku Earthquake, both of which created large tsunamis that destroyed entire villages within Miyako. Since then, the city has been rebuilt with the addition of sea-walls to reduce the threat of inundation.

The seawalls were overwhelmed by the 2011 tsunami as the record breaking waves easily surpassed the height of the sea-walls, destroying much of the coastal structures. In particular, rail infrastructure along the coast was completely destroyed. Although much of Miyako's vital infrastructure has since been restored, the restoration of the city's rail lines continues to be bogged down by concerns over its financing and viability. This research utilized a series of interviews with the stakeholders involved in the rail reconstruction process in order to gauge the extent of rail damages, reconstruction plans, perceived responsibilities, and challenges in implementation. The research discovered that the political-economic situation surrounding rail financing presents two major obstacles in reconstruction process.

The first obstacle stems from the nature of Japanese urban planning and its reliance on top-down centralized approach. The centrality of governance limits the ability of the municipalities to implement autonomous decisions. In addition, in comparison with the United States, the judicial system in Japan maintains radically different interpretations of public and private interests, further limiting the ability of the

municipality and community in challenging existing political structures.

The second barrier stems from the financial frameworks that limit the ability of the private sector in seeking financial assistance from the government. Although the municipality and prefecture could argue that the rail reconstruction serves a public interest, strict financing laws can limit the ability of private entities from rebuilding its rail infrastructure after a disaster. In addition, the state's distinction between *fukkō* (revival) and *fukkyū* (rehabilitation) types of reconstruction, also limit the ability of the municipality and rail operators in designing infrastructure that is more resilient to natural disasters. *Fukkō* is considered reconstruction where the rebuilt object is built differently than its previous state. *Fukkyū* is considered reconstruction where the object is rebuilt to its previous state.

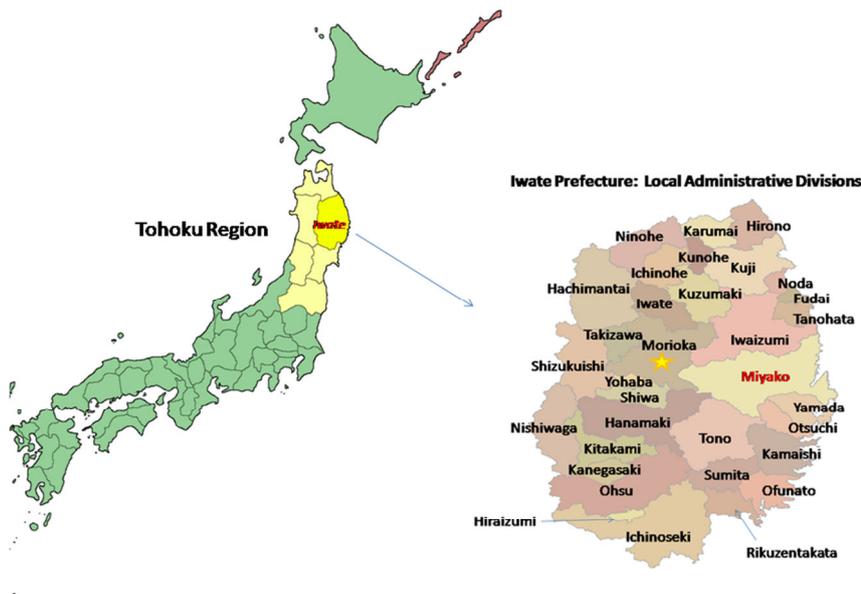


Figure 1. Location of Miyako City within Iwate Prefecture, Japan

Methodology

The interview with members of the municipal government's general affairs planning division and reconstruction division was held at the Miyako municipal office in January of 2013. During this time, we asked about the perspective of the municipal government towards rail reconstruction and their relationship with the national government and rail operators. In terms of rail reconstruction, the Miyako municipality expressed strong interest in having both the Yamada Line and the Kita-Riasu line rebuilt.

Engineers from the municipal government also presented various maps that included rail reconstruction alternatives that could increase its resiliency, such as re-routing the rail more inland or placing it on elevated soil to act as layer of break wall to protect the city. The municipality however, is unable to afford reconstruction of either line as the city is already overwhelmed with a plethora of reconstruction programs. In response to JR East's idea of replacing the Yamada Line with a bus rapid transit system, the city felt that it was not necessary as the national highways contain few stops and rarely experiences traffic congestion.

The national government views are based upon information provided by the Miyako municipality, government documents, news reports, and scholarly articles. Due to financing laws, the government is willing to subsidize the re-construction of the Kita-Riasu line on the following conditions:

- The rail is operated by a public or third sector company with 50% public ownership
- The rail operator is operating at a financial loss

- Utilizing *Fukkyu* reconstruction which restores rail to its exact previous state
- Upon subsidization, the government will own all infrastructures along the rail line except for the trains itself.

Although municipalities can suggest reconstruction plans, it has to fit within a set of criteria and specifications established by the national government. For these reasons, the national government is unwilling to subsidize the Yamada Line as it belongs to a private entity as well as alternative route proposals by the municipality. When expressing concerns over the government's insistence on utilizing previous rail designs instead of a more disaster resilient design, the government contends that the system is in place to prevent companies from utilizing government subsidies to generate more profit. The government however allows operators to utilize new designs as long as someone else is willing to pay the costs involved in the modification of the previous design.

The views of JR East are based upon information provided by the Miyako municipality, news reports, and email communication. Although JR East is one of the most profitable private entities in Japan, the Yamada Line itself has been operating at a loss for several years. Due to the low demand, the line has been reduced to offering services four times per day and has closed two rail stations a year prior to the tsunami. In regards to tsunami and earthquake damages, estimates show that approximately 400 kilometers of JR East's railway has been affected by the tsunami. JR East has stated that they are unable to fund reconstruction for damages to all of its service areas and is seeking financial assistance if the Yamada Line is to be rebuilt, which they estimate would cost ¥21 billion (Haga 2012).

Currently, JR East is re-appealing to the government to finance the Yamada Line's reconstruction. In the event JR East is unable to secure funding for reconstruction, the company is willing to convert the remainder of the Yamada Line to a BRT system in order to save costs from rail reconstruction. The controversy over the reconstruction of Iwaizumi Line draws many parallels with the Yamada Line. In 2012 JR East declared that rebuilding the line with appropriate safety measures is prohibitively expensive and opted against restoring the line and referred to bus services instead. Both the Miyako Municipality and Iwate Prefectural Government have protested JR East's decision to close the Iwaizumi Line (Mainichi 2013).

The views of Sanriku Railways are based upon information provided by the Miyako municipality, news reports, and email communication. The company has been plagued by declining ridership as it decreased from 2.68 million annual passengers in 1984 to 850,000 in 2010. The decline in passengers is associated with regional depopulation trends, modal shifts to automobile use, and rising fuel prices which have contributed to financial losses for 18 consecutive years (The Nikkei 2012). It is estimated that 108 kilometers, or 99 percent, of its rail network was damaged by the earthquake and tsunami. The company is currently experimenting with various tourism promotion activities to increase ridership. The national government is subsidizing the entire reconstruction costs which are estimated to be ¥10.8 billion, more than thirty-seven times its 2012 estimated total sales of ¥290 million (The Nikkei 2012; Sanriku Railways 2013).

In January 2013, we interviewed representatives from the Miyako Social Welfare Council (*Miyako-shi shakaifukushi kyōgikai*) which is a non-profit organization that works with Miyako's residents. When discussing the situation of rail in Miyako, a representative from the council acknowledges that local residents seldom used either train services. The representative recalled that during his childhood, the Yamada Line was multi-car train that offered multiple trips per day to Morioka, and has transitioned to a single car train that offers service three or four times per day.

The growth of personal automobile use has spread and became the preferred use of transportation in the city. When asked if the rails should be closed due to low utilization, the representative stated that he felt it should be opened due to strategic concerns. The 1896 and 1933 earthquakes highlighted the importance of rail to transport relief supplies to the region as its mountainous nature limited accessibility to the city. As there is only one highway that connects the city to Morioka, in the event of a landslide, it is believed that having two transportation linkages would provide redundancy. Secondly, there are residents who do not have

access to personal automobile use such as senior citizens who still rely on rail transportation. Finally, the rail systems provide regional cohesion as they are part of a network that connects Miyako to major cities such as Morioka, Sendai, Aomori, and Tokyo.

Discussion

The interviews with local officials, community organization, and rail operators in Miyako City reveal some of the characteristics associated with top-down rational planning approaches. The political-economic structures limit the ability of affected stakeholders in implementing policies and designs that could improve the resiliency of the city's rail transportation network. Some of the observations made on reconstruction planning and implementation are given below.

First, the ability of the municipal government to autonomously plan and implement its construction policy is limited as local planners must adhere to a set of requirements created by the national government's ministries. In addition, the strict boundaries of municipal, prefectural, and national infrastructure limits the ability of the local government in designing a cohesive reconstruction plan as the management of national and private infrastructure is beyond the jurisdiction of the municipality.

Second, the distinction made between *fukkō* and *fukkyu* reconstruction limits the ability of rail operators and local governments in implementing plans that could reduce the risk of hazard on infrastructures. Given the region's past instances of transportation disruptions caused by natural disasters, the national government's insistence on *fukkyu* reconstruction does not encourage local governments to engage in risk reduction actions towards its infrastructure. Local governments should be rewarded in creating policies that reduce disaster risk and thus, reducing the need for national government relief, instead of being penalized.

Third, the structure of rail subsidies is narrowly focused on sectors of ownership and has exemplified the limitations of institutional flexibility in Japan. Although community organizations and the municipality has expressed a variety of public interest in restoring the rail networks of both private and third-sector operators, the national government continues to insist on its policy of subsidizing only public and third-sector operators. The 1995 Great Hanshin Earthquake witnessed a number of rail companies who faced immense financial difficulties in restoring their operations.

Researchers have insisted that due to the wide scale destruction, a new time-limit restoration subsidy scheme should be made available to all railway operators or a scheme that at least increase the share of costs to cover public money, however the national government did not change its position (Shoji 2013). The national government has recently created a new subsidization scheme after the 2011 disaster where the national government can assist with the total amount of reconstruction costs of infrastructure on the condition that they will maintain ownership (MLIT 2013).

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Does political revitalization in Myanmar affect Myanmar's economic relations with her longtime ally, China?

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Abstract

This study focuses on the democratization process in Myanmar starting from 2010 and examines whether or not it is going to impact the economic relations with China. For decades, Western and Asian democratic countries imposed economic sanctions on Myanmar's junta, which led the junta to build and strengthen economic as well as political ties with China with favorable conditions for China's FDI, trade and strategic energy projects. I argue that the new government would remove the favorable conditions it had given to China for decades because democratization would allow the Myanmar citizens to raise their voices freely against China's strategic investments within Myanmar, increase the government's incentive to respond to the public voices, and rapidly remove the sanctions by the international community against Myanmar. Analyzing 2 accidents of China's energy projects in Myanmar, it is clear that current new civilian government is not a fake, a little freedom after 5 decades let the public speak out against China's investment, and lifting sanctions by democracy groups has increased non-China FDI. Multiple regression analysis was also conducted to test the causality between different variables. However, due to insufficient data and discrepancy, it is hard to conclude how exactly democratization does or will affect the mutual economic relations.

Introduction

Myanmar was ruled by military junta for more than 5 decades as an isolated country from international society. Various socio-economic sanctions from Western and Asia democratic groups resulted in military junta's intimate alliance with non-democratic groups, especially China, Russia and North Korea for economic, politic and strategic issues. Among them, junta cultivated relatively deep economic relations with Beijing under trade and FDI policies which are favorable for Beijing.

However, democratization in Myanmar has started following the 2010 National Election and the Thein Sein government has been carrying out a number of political reformations into positive direction. Within these 3 years, Thein Sein government was able to normalize diplomatic relations with many democratic developed countries especially with America and Japan which have recently lifted a number of sanctions against junta.

With this background of structural reformation juncture, this paper investigates the effects of Myanmar's democratization on Beijing's economic interests and political strategic plans under the following research questions: (1) Does democratization in Myanmar have any effect on China's existing interests and future strategic plans in Myanmar? And (2) What are the driving forces of negative effects?

This study is highly significant for mainly 2 reasons. Firstly, this study analyses the consequences of democratization in Myanmar on Beijing's economic, politic and strategic plans, a relatively new issue with high attention from international society but only few studies have been carried out on this issue. I argue that democratization in Myanmar negatively affects China's national interests by, first, allowing Myanmar citizens to raise their voices freely to some extent, secondly, calling for government's positive response to the public voices under democratic principles and, thirdly, lifting up the international society's socio-economic sanctions against Myanmar.

Beijing has great influence on Myanmar Junta (1962- 2010) through military support and ideological similarity. At the same time, China has been Myanmar's greatest trading partner both in terms of foreign

direct investment and bilateral trade. China's FDI in Myanmar are hugely profitable because of lower labor wage, rich natural resources and massive working force in Myanmar. Myanmar junta gave conditions which are very favorable for Beijing's economic due to its enormous military reliance on Beijing. Consequently, these relationships are conditioned in favor of China's national interest while contributing less to Myanmar national interest, sometimes leading to very unfavorable consequences.

However, Chinese investments have experienced increasing scrutiny, criticism and opposition calling for withdrawal which affects China's strategic projects in Myanmar to secure energy in the aftermath of 2010 National election (Yun, 2012). There is a dramatic decrease in FDI flow from China, mutual relations and military ties have been cooled down to certain extent and a number of strategic plans for energy security have been suspended (idib).

This study explores the causality between democratization and its effects on the so called Myanmar's Pauk-phaw Beijing's interests from three perspectives: regime change, democracy level and lifting up of international socio-economic sanctions.

Democratization in Myanmar took its root at 2008 Constitution which was approved in a referendum in May 2008. The newly approved constitution is a part of the so called "7 Steps Road Map to Democracy" which is laid down by former Myanmar Prime Minister General Khin Nyunt in August, 2003 (4). Although the referendum was criticized by international society for voter intimidation, electoral fraud and advance voting, the 2008 constitution called for a general National election in 2010 after 20 years from the last 1990 national election (BBC News, 2008).

A national general election was held in 2010 as planned and the new quasi-civilian government with 25% of political appointees by the military was formed (IFES, 2010). Political reforms such as releasing political prisoners, President Thein Sein's historical meeting with opposition leader Aung San Suu Kyi, relaxing press and internet censorships, allowing labor union and strikes and holding 2012 by-election which welcomed opposition leaders into the parliament, proceeded quickly at an unexpected speed .

Why democratization happened in Myanmar? There is no right or wrong answer for this question on Myanmar's democratization yet though a number of politics and IR scholars have been trying to answer it from different perspectives. In the article of "China and the Changing Myanmar, 2012", Yun Sun, explained motives behind democratization as internal and external factors. Internally, democratization was a result of 7 road map which was laid down by the military junta itself while; externally, military junta's willingness to mitigate its over dependency on China, at the same time to normalize its relations with democracy groups (Yun, 2012).

An isolated Myanmar was under strict socio-economic sanctions from Western and Asia democratic groups which created an opportunity to China to keep Myanmar junta, a non-democratic neighbor, as its little brother by providing various incentives including FDI, foreign aid and shielding junta from UN sanction in 2007 (The Guardian, 2007). Interestingly, Beijing was aware of all Myanmar's steps toward democratization but underestimated that the newly formed quasi-civilian government is just another form of its Pauk-phaw who will keep relying on China's support (Yun, 2012).

However, it will be strange just to conclude that China opts to protect Junta against international sanctions, and to invest billions of dollars into Myanmar during 2000s as pure charity. From the view point of energy hungry China, Myanmar with abundant natural resources is one solution to meet its domestic energy demand and fuel its economy. With increasing FDI into Myanmar, China also developed important strategic projects by exploiting Myanmar's natural resources such as hydropower, natural gas, oil and copper. China gets asymmetrical leverage over Junta's overdependence on it by exploiting natural resources with little consideration of sustainability, serious environmental and social impacts (Yun, 2012).

Myanmar is the only one country which shares land boundary with South Asia, East Asia and Southeast Asia. Myanmar shares a total of 5,858 km of international borders with five nations: Bangladesh, China, India, Lao and Thailand (Asian Development Bank Institute, 2013). Myanmar also has 2,800 km long

coastline stretches from the Bay of Bengal to the Andaman Sea which is near major Indian Ocean shipping lanes (ibid). Myanmar's strategic location became a target of China to convey energy sources from different parts of Asia and to facilitate its trading.

Methodology

In order to defend my hypothesis and answer my research questions, firstly, I have analyzed two big China's existing strategic projects in Myanmar which have recently witnessed critical public movements against China's investment. A number of historic steps of new civilian government in balancing its overdependence on its former alliance have been observed in dealing with these two issues.

Findings

The Myitson Dam: China Power Investment (CPI), a state-run Chinese company, signed a deal in 2007 with the military Junta to build seven huge dams in northern Myanmar, including the one at Myitson which is the starting place of the Ayarwaddy River (New York Times, 2011). Ayarwaddy River plays a critical role in domestic transportation and trade. Most importantly, it is assumed as Myanmar citizens' life with a long history and symbolism. A group of scientists from China and Myanmar conducted environmental assessment to measure how the Myitson dam would affect the environment and in 2009, a report was submitted suggesting irreversible impacts (International Rivers, 2011). Nevertheless, military junta and CPI started construction from December of 2009 regardless of predicted impacts.

The new civilian government took office in March and there were public movements and demonstrations led by local people, environmentalists and media against the Myitson Dam and China's investment in Myanmar. Consequently, the new President, Thein Sein announced the historic decision of halting US\$3.6 billion project on 30 September 2011 on the eve of China's National Day stating that "the project is contrary to the will of the people"(DVB,2011): "As our government is elected by the people, it is to respect the people's will." This was a bold step to prove that the new civilian government is not fake and it was also a clear signal of new government's will to reduce its dependence on China (New York Times, 2011).

The Latpadaung Copper Mining Project: New government's steps towards democracy have made it possible for people to protest publicly, for the first time in decades, against things they don't like; and Chinese businesses, especially, Letpadaung mining project have turned out to be at the top of their list. The copper mine, a joint venture between China's Wanbao Company which is a very unpopular business arm of the military junta, as well as a monopoly on the gems sector (BBC News, 2013). Rapidly growing protests shut down this project temporarily almost for one year showing that the time has come to fight for local traditions in the face of foreign enterprise (Global Post, 2012).

The Monywa protests against mining projects called for foundation of special investigation committee to guarantee the advantage of local people and also highlight China's growing image problems in Myanmar amid intensifying local opposition to its extensive natural resources and infrastructure projects (BBC News, 2013). Even though public movement could not stop the mining project, conditions related to land ownership and environmental and social impact were improved to a large extent (ibid).

Multiple Regression Analysis: In order to test the causal mechanism between dependent variable Myanmar-China economic relations and independent variables-democracy level in Myanmar, governance changes and non-China FDI, Ordinary Least Square Regression was run.

Discussion

The new (quasi)-civilian government was not fake. The Newly appointed government under Presidential Democracy system includes the People's Assembly (Lower House) and the National's Assembly (Upper House) with 440 and 224 representatives for a five years term (IFES, 2010). It is a quasi-civilian government since 330 Lower House representatives are elected on the basis of township and population while the rest are Defense Services personnel appointed by the Defense Services Commander-in-Chief. Similarly, 168 Upper House representatives are elected by each State or Division through absolute majority vote in single-member constituencies and 56 members are reserved by the military (IFES, 2010).

Despite being criticized by international society which calls for a pure civilian reign, in 13 November 2010, the government took the very first positive step by releasing NLD leader Aung San Su Kyi from 15 years long house arrest just a week after the election. After taking office in 2011 March, the quasi-civilian government conducted a number of reformations in quick manner. Those include a series of discussions with NLD leaders on democratization issues which one cannot imagine under the junta, releasing hundreds of political prisoners, passing new labor laws, setting up a human rights commission, releasing press and internet laws for the very first time in more than 50 years (BBC News, 2013). Aung San Su Kyi's return into political arena was quick because the government amended the election law enacted by former authorities which deters former prisoners from being members of political parties and to stand for election in November 2011 (Mizzima News, 2011). The US Secretary of State Hillary Clinton's visit in December 2011, a historic turning point after 50 years of complete standstill of mutual diplomatic relations, accelerated the continuation of positive democratization activities in 2012 (BBC, 2011).

The opposition party (NLD) took part in 2012's parliamentary by-election for the first time since 1990 and overwhelmingly won 43 out of 45 seats (IFES, 2010). This can be seen as one of the critical forces of change in government's political stance from an authoritarian way to power balancing within the legislative body of new government. Within the same year, there were landmark visits of the heads of the countries during 50 years; President Thein Sein visited the White House in September which was followed by President Obama's visit to Myanmar in November (BBC News, 2013).

A little "Freedom" after 5 decades: Myanmar citizens were always unsatisfied with unfavorable dependency on Beijing. During junta administration period, Myanmar citizens were not able to raise their voice against the Chinese exploitation of natural and human resources. For example, although China is enlisted as one of the main culprits of Myanmar's serious deforestation, no actions took place because of its close relations with Junta (Eleven News, 2013). Freedom House rates Myanmar's freedom as shown in the table 1.

Following 2010 National election under 2008 constitution, Thein Sein government carried out a number of reformations which slightly granted freedom to the public after more than 5 decades of being not free. The government reduced the degree of press censorship laws in 2011 even allowing photographs of the leader of National League of Democracy (NLD), Aung San Su Kyi, to be front cover of local newspapers which no one can even imagine under military rule (Rachel, 2011). Freedom House's Press Freedom Score decreased 95/100 in 2009 to 72/100 in 2013 (Freedom House, 2012). In September 2011, the government for the very first time relaxed internet censorship laws which banned several websites including YouTube, Democratic Voice of Burma, Voice of America and a number of news blogs which are operated by exiled Myanmar journalists (BBC News, 2011).

Most remarkably, Thein Sein government enacted a new Labor Organization law which acknowledges labor unions which had been banned since 1962 with at least 30 members (BBC News, 2011). The law also granted the right to strike with a notice of 2 weeks in advance (ibid).

Table 1: Overall Freedom Rate of Myanmar (2000-2013) Source: Freedom House (0= Free, 7= Least free)

| Years | Status | Freedom Rating | Civil | Political |
|-------|----------|----------------|-------|-----------|
| 2000 | Not Free | 7.0 | 7 | 7 |
| 2001 | Not Free | 7.0 | 7 | 7 |
| 2002 | Not Free | 7.0 | 7 | 7 |
| 2003 | Not Free | 7.0 | 7 | 7 |
| 2004 | Not Free | 7.0 | 7 | 7 |
| 2005 | Not Free | 7.0 | 7 | 7 |
| 2006 | Not Free | 7.0 | 7 | 7 |
| 2007 | Not Free | 7.0 | 7 | 7 |
| 2008 | Not Free | 7.0 | 7 | 7 |
| 2009 | Not Free | 7.0 | 7 | 7 |
| 2010 | Not Free | 7.0 | 7 | 7 |
| 2011 | Not Free | 7.0 | 7 | 7 |
| 2012 | Not Free | 6.5 | 6 | 7 |
| 2013 | Not Free | 5.5 | 5 | 6 |

Changes might be small but with a little of freedom that the democratization has granted, Myanmar citizens started to raise their voice against China's exploitation of Myanmar's labor force, natural resources and environmental deteriorations which resulted from China's FDI in Myanmar. Myanmar citizens' resentment against China would not have cried out to large extent unless the government carried out democratization. China could have continued its FDI and other strategic plans especially for energy security.

Due to these transformations, the US relaxed several socio-economic restrictions which had been in place for half a decade against the military government. The UK, Japan, Canada and Australia have quickly lifted sanctions against the junta. According to CEIC Data Manager, FDI flow increased dramatically in the 2010-2011 fiscal year to about 20 US billion which is more than 10 times higher than that of previous fiscal year (CEIC, 2013). At the same time, various social related sanctions such as humanitarian aid and international scholarships programs reopened to newly democratized Myanmar.

Although it is difficult to believe that the motives behind lifting sanctions are welcoming signs to political transitions in Myanmar, these international responses have significantly and effectively ushered notions of democracy into a nation that has not been experienced in half a century. Simultaneously, the new Myanmar civilian government wisely takes advantage of this situation to rebalance its high dependence on China in terms of economic relations by calling for more social responsibility.

Conclusion

To conclude, it is not wrong to comment that democratization in Myanmar negatively affects China's national interests by, first, allowing Myanmar citizens to raise their voices freely to some extent, secondly, calling for government's positive response to the public voices under democratic principles and, thirdly, lifting up international society's socio-economic sanctions against Myanmar. However, due to insufficient data, it is hard to conclude how exactly democratization does or will affect the mutual economic relations.

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The aid of Japan and China to Cambodia's economy and politics from 1997 to 2010

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Abstract

Presently in its stages of recovery in the aftermath of decades of civil wars and internal conflict, Cambodia sees herself as the developing country which is excessively dependent on foreign assistance, which is due to its intentions to reduce poverty and develop the economy. Two countries—Japan and China—among other development partners have re-established strong relations with Cambodia since 1997 by providing aid. The objectives, means and methods in extending aid to Cambodia, however, vary. For instance, Japan's Official Development Assistance (ODA) is given under the rationale of democracy, human rights, good governance, and juridical and administrative reform. China, on the other hand, posits a "no strings attached" stance in its assistance, i.e. the donor country does not want to intervene in the domestic affairs of the beneficiary country in upholding mutual respect and adherence to the non-interference policy. This consequently invites questions from researchers and scholars as to the amount of influence Japan and China have in their aid to Cambodia. By adopting economic and political perspectives and using the aid alignment and political implication approach in the analysis, this paper seeks to answer the questions arising from the influence of Japan and China's aid to Cambodia's economy and politics from 1997 to 2010. Findings reveal that Japan's aid is relevant to Cambodia in terms of the social sector, economic sector, governance and administration, and democracy; whereas China's assistance seems to be more relevant in terms of the foreign policy and infrastructure sector.

Introduction

The late 1990s marked a new trend for Cambodia's development, entering a phase of economic growth, social and infrastructural development after decades of civil wars and political chaos. The beginning of this changing trend began in the early 1990s, UN-sponsored elections under the supervision of the United Nations Transitional Authority in Cambodia (UNTAC). The election helped restore stability and introduced democracy by organizing an election for the country.

Following the end of the civil war and internal conflict in 1993, Cambodia has transformed herself to adopt the market oriented economy and democratic political system. This reform and reconstruction led to Cambodia's gradual economic progress and affiliation in regional and international organizations such as the Association of South-East Asian Nations (ASEAN) in 1999 and membership in the World Trade Organization (WTO) in 2004.

A large proportion of Cambodia's vast development, more or less, is attributed to the inflow of assistance from many international donor countries, especially China and Japan. Both countries have shared long diplomatic relations with Cambodia, with China-Cambodia relations re-dating from 1997 and Japan-Cambodia relations since the early 1990s. The figures show that in 2010, the total aid disbursements to Cambodia amounted to USD1.07 billion, which is a 7.8% annual increase, equivalent to 9.4% of GDP and USD78 per capita.

Roughly 75% of the same total is covered by the grant support. In the same year, and with total disbursement of USD 146 million, Japan kept its position as the largest single source of development assistance. China was next in rank with its disbursement of USD 138 million (RGC, 2010).

It is not refuted that these two countries are recognized as significant donors to Cambodia. China's aid

to Cambodia is without any conditions which are otherwise known as "no strings attached," while Japan gives aid to Cambodia with the attachment of human rights, good governance, and democracy (Weston, Campbell, & Koleski, 2011).

These differences give Cambodia a stand in considering whether China's or Japan's aid is more relevant and beneficial. Given that Japan and China's positions as donors to Cambodia are strategic, it is important to observe and distinguish which country is more relevant to Cambodia's economy and politics.

Methodology

To understand the relevance of both donors to Cambodia's economy and politics, I will define the relevancy based on two approaches. Firstly, I will use the aid alignment approach, which is also shown in the Aid Effectiveness Report of Cambodia. By making it clear in 'economic implications', I will cover three main sectors—the social sector, economic sector, and transportation sector.

Secondly, I will use 'political implications' from the government perspective to explain whose aid is more relevant to Cambodia. In using this approach, some cases are raised to present strong arguments and the political aspect will be narrowed down to two points, namely democracy and foreign policy.

Discussion

Considering the position of Cambodia toward both countries, it is important to introduce Cambodia's foreign policy. H.E. Dr. Kao Kim Hourn, Secretary of State for the Ministry of Foreign Affairs of Cambodia and Advisor to Prime Minister Hun Sen, has stated that Cambodia's foreign policy in the 1990s is to re-engage in the international, regional and global levels through cooperation with other countries (Hourn, 2002).

This engagement can help Cambodia to enhance cooperation with neighboring countries and other countries in the world especially China and Japan. The other argument done by Biedermann, shows that Cambodia's foreign policy is reliant on foreign aid and therefore Cambodia needs to keep good and close relations with donor countries (Biedermann, 2010). It is also clear that Cambodia currently enjoys good cooperation and relations with China and Japan which are its main donors in Cambodia's socio-economic development and rehabilitation.

The relations between Japan and Cambodia have remarkably improved since the conflict resolution and introduction of the liberal democratic political system in the 1990s. It is under the framework ideal of "peace and happiness through economic prosperity and democracy" that Japan extends its foreign policy to Cambodia (Fouse, 2007). As a result, Japan's ODA has increased dramatically from 1997 to 2010. The table below shows that Japan's ODA to Cambodia was increasingly disbursed starting from US\$ 61.63 million in 1997 to US\$ 147.47 million in 2010.

This reflects that Japanese government is so interested in helping Cambodia to achieve its development plan, which is highlighted in the National Strategic Development Plan.

Within the purview of China's foreign policy, foreign economic aid is the component to strengthen its foreign policy with other countries. Beginning with the creation of the People's Republic of China, this country started to provide ODA to Asia, Africa, Latin America in the period of 1950s-1960s. This assistance served the political and ideological interests in that time (Zhenming, Dreher & Fuchs, 2012). Seeing the potential in neighboring countries, China stressed the important power gained in strengthening its economic aid tied with Cambodia, Laos and Vietnam in order to support its independence (Zhenming, 2009). China's aid policy was deeply grounded in adjustment of the expansion of economic ties with the developing countries to align with her foreign policy.

Cambodian government's action plan on Harmonization, Alignment and Results (H-A-R) has been established, which is composed of five main components: ownership, alignment, harmonization, result

management and mutual accountability; one of them, alignment, is taken to measure the relevancy of aid to the National Strategic Development Plan (NSDP) which serves as an implementation tool for the Rectangular Strategy.

The other way to see the relevancy of aid provided by Japan and China to Cambodia is taking “the political implication by focusing on democracy and foreign policy.” To understand the relevancy, democracy should be a part of the analysis of Japan’s aid and China’s aid. If one of them focuses much on democracy in Cambodia, we will be able to conclude whether Japan’s aid or China’s aid is more relevant to Cambodia. Plus, for foreign policy, if aid from China or Japan helps Cambodia to achieve her foreign policy objectives, either one of them will be considered to be relevant to Cambodia.

Regarding Japan’s aid power to Cambodia, the political implication was observed clearly from 1997 while Cambodia was in a conflict between the Cambodian People’s Party (CPP) and FUNCINPEC party. Japan used aid as a “negative sanction” to impose Cambodia to bring peace and stability, apart from urging Cambodia to push with the national election in 1998 and allowing FUNCINPEC party to participate in the national election. The negative sanction using aid as a tool to influence Cambodia’s politics, Japan finally succeeded in helping Cambodia to achieve peace, stability and progress with the free and fair election in 1998.

Furthermore, as mentioned in the previous section, Japan’s objective is attached to the “democracy, human rights, good governance and reform.” This objective shows that the Japanese government has a clear plan and policy to assist Cambodia in the political upheaval and restore this country to become a democratic country. The political willingness and leadership of Cambodian government has improved positively, allowing the participation of dialogued partners and civil society (RGC, 2010). One more important project in assisting Cambodia is that Japan has made a great effort to strengthen specially the creation of the civil code (JICA, 2007).

Japan has worked closely with the government of Cambodia starting from the draft civil code till the adaptation of civil law in Cambodia. This assistance significantly shows the contribution of Japan to build up the legal system and rule of law in Cambodia (JICA, 2011).

Turning to China’s aid influence in Cambodia makes scholars and the international community keen on the way China impacts Cambodia. Starting from 1997, the aid from China was a tool to bring Cambodia-China relations closer and closer. In 1997, Cambodia experienced a street fighting between the government of Cambodia under Hun Sen’s administration and FUNCINPEC leader Prince Norodom Ranaridh. The United Nations and some powerful countries such as the U.S., the UK and Japan condemned the government of Cambodia as causing the political instability.

However, China did not condemn the Cambodian government led by Prime Minister Hun Sen but actually continued providing aid and strongly supported the legitimacy of the incumbent government (Swann, W., 2009). This action of the Chinese government makes it really clear that China strongly supports Cambodian government, compared to western countries that actually intervene in the domestic affairs of Cambodia. This is how China’s aid helps Cambodia achieve her foreign policy.

To observe the relevancy by taking the political tendency of Cambodia toward China or Japan, Cambodia's domestic politics and foreign policy shall be taken into account. For domestic politics, we have seen that Japan is quite relevant to Cambodia in terms of ensuring peace and stability, monitoring the national election, juridical and administration reform and so on. This is the starting approach of Cambodia which has moved on to becoming a democratic country with a free and fair election, rule of law by adopting anti-corruption law, land law, and juridical and administrative reform, which reflects the country's accountability and transparency (RGC, 2010).

Though China’s aid is not relevant to Cambodia in terms of its democratic system, China is welcomed by the Cambodian government due to the non-interference policy, respectful sovereignty and satisfactory filling of the gap which Cambodian government and traditional donors have. However, China’s aid is more

relevant to the foreign policy objective of Cambodia due to the fact that China helps the government of Cambodia by providing aid during crisis and continues to give aid to defend the country's national security.

Conclusion

First of all, concerning aid alignment and aid implication for Cambodian economy, I have found that Japan's assistance is more relevant than that of China in terms of the social sector and economic sector. The reason to show the relevancy of Japan is due to the fact that firstly, Japan has contributed a larger amount of funding to Cambodia and prioritized these sectors which are highlighted in the National Strategic Development Plan and Rectangular Strategy of Cambodia.

Secondly, the large amount of the aid provided by Japan helps Cambodia reach its development goals such as improving literacy, healthcare, education, economic policy, land management, agriculture reform, fishery and forestry reform, which redounds to the favorable investment climate for Japanese investors and Japan's prosperity. This meaningful assistance is the key driver of economic growth and economic development in Cambodia through trade relation and investment increase from Japan. However, for China, it is quite clear that she is really aligned with the priority sector of Cambodia as stressed in the Rectangular Strategy of Cambodia in terms of transportation development and rehabilitation. At the same time, China is the largest donor in the infrastructure sector of Cambodia. By considering the big amount of money, China has improved relations with Cambodia and has facilitated improvements on trade relations in terms of good infrastructure, and economic benefits into the country.

Turning to politics, I have found that the aid provided by Japan is more relevant than China's in domestic politics. The aid of Japan is normally attached with the principles of democracy, good governance, judicial and administrative reform and human right. Japan had made Cambodia agree to accept the political settlement between Hun Sen's administration and Prince Norodom Ranariddh and helped the country successfully conduct the national election in 1998. Japan also made Cambodia change its leadership system by creating the political dialogue between the development partners and the government of Cambodia. This shows the political willingness of Cambodia to promote transparency.

A lot of reforms have been done including the drafting of the anti-corruption law. This shows that Cambodia's domestic politics is taking another step toward democracy, transparency and good governance. However, China in the domestic politics of Cambodia is not really relevant in terms of democracy and human rights because China's aid is given to Cambodia without attachments to democracy, rule of law and good governance.

According to Cheng (2012), it is related to the fact that China's aid to Cambodia creates problems in domestic politics such as receiving criticism from civil society and the international community, particularly regarding corruption, weakened governance, human rights and environment issues.

Taking foreign policy to track the relevancy, I found that the assistance provided by China is more relevant than Japan's because China, with her no strings attached policy, gains much support from Cambodian government from the 1997 onward. China is the only one country that supported the government of Cambodia at that time and recognized its legitimacy to be against the Western countries and the international community. In addition, China also strongly supported Cambodia's bid for a non-permanent seat on the United Nations Security Council for 2013-2014. This makes it clear that China can actually support Cambodia's position in the international arena. As a consequence, Cambodian government is really satisfactory with the support of China to help Cambodia achieve her foreign policy.

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Spatial distribution of student skills outcomes at the district level in India

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Abstract

India's desire to provide a quality universal primary education for its massive population began with Nehru's 'tryst with destiny' speech on the dawn of Indian independence. From high hopes and humble beginnings the country has focused on expanding access of education at the expense of qualitative improvements in primary education. This has resulted in slow gradual and highly uneven improvement (and stagnation) across and within states. Until recently success has been measured using quantitative indicators of access (average years in school, distance to schools, and highest grade completed, etc.) rather than the skills outcomes of the students. Marking a new approach to access student outcomes, the Indian NGO ASER began a far-reaching project in 2006 to methodologically sound and rigorously test students' skills using standardized testing methods across India. This paper and presentation examines the spatial distribution of the most recent 2012 student outcomes dataset using a GIS approach.

Introduction

ASER tested students on four basic skills (below) and two questions of schooling attendance:

Skills tested:

- % Children (Std I-II) who CAN READ letters, words or more (hereby ach1)
- % Children (Std I-II) who CAN RECOGNIZE numbers (1-9) or more (ach2)
- % Children (Std III-V) who CAN READ Level 1 (Std 1) text or more (ach3)
- % Children (Std III-V) who CAN DO Subtraction or more (ach4)

Schooling attendance

- Percentage of Children (ages 6-14) in private school (PS)
- Percentage of Children (6-14) Out of school (OOS)

Although the data collected is rather a merger by international standards and those of TIMSS and PIRLS, the scale of the endeavor in terms of geographic area and population surveyed is noteworthy both in the scale and quality of the results given the constraints that conducting such a study in India entails.

Methodology

The ASER achievement data at the district level was joined to a vector based administrative map of India downloaded from DIVA-GIS. Full documentation of the ASER methodology may be found at <http://www.asercentre.org/>.

Using ArcGIS 10.1, spatial statistics techniques were used first to geocode the data. From this data spatial statistics tools including Hotspot Analysis, Spatial autocorrelation, High-low clustering, Anselin Local Moran I outlier testing, grouping (with both spatial and non-spatial constraints) were performed. For Hotspot Analysis and grouping analysis (when using spatial constraints) the geographical conception parameters were set to contiguous polygons sharing edges and corners, as well as Delaunay triangulation.

This was chosen due to the mostly uniform spatial distribution of the districts across the country with exception of the Western border of Rajasthan, Eastern J&K and to a lesser extent the Southeast of MP whose districts are larger and have fewer neighbors. Thus these areas will appear less clustered than a uniformly distributed map would look. Secondly, the dissolve function was to aggregate district data into state data in order to identify the mean, standard deviation, and range of the district data within states.

The map in figure 1 shows the location of the null value districts in the research which should be noted before proceeding to the outcomes. The most impacting null value was the lack of data in the largest urban centers of Delhi, Chennai, and Mumbai. While this of course does skew the results lower, their absence makes the dataset more focused on the rural distribution of education outcomes.

The second feature of the null values worth noting is the clustering and distribution of the null values. The null values themselves are clustered in the more remote areas bordering the least performing districts most notably in Arunachal Pradesh, Sikkim, and among the lowest achieving cluster in Northern and Southern Madhya Pradesh and Rajasthan. Thus while the null values themselves hurt the statistical precision of this research they are themselves useful indicators of particularly poor educational circumstances. Lastly, there are null values in the Andaman and Nicobar and Lakshadweep island chains as well, thus they are not included in this study.

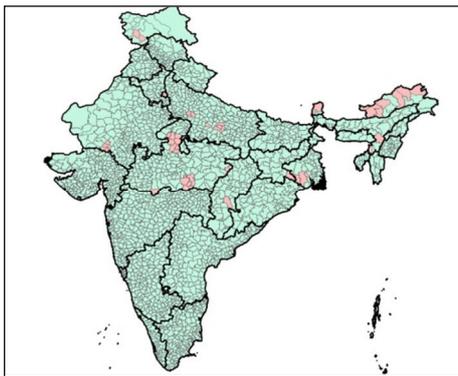


Figure 1. Location of districts with null data (pink/ lighter)

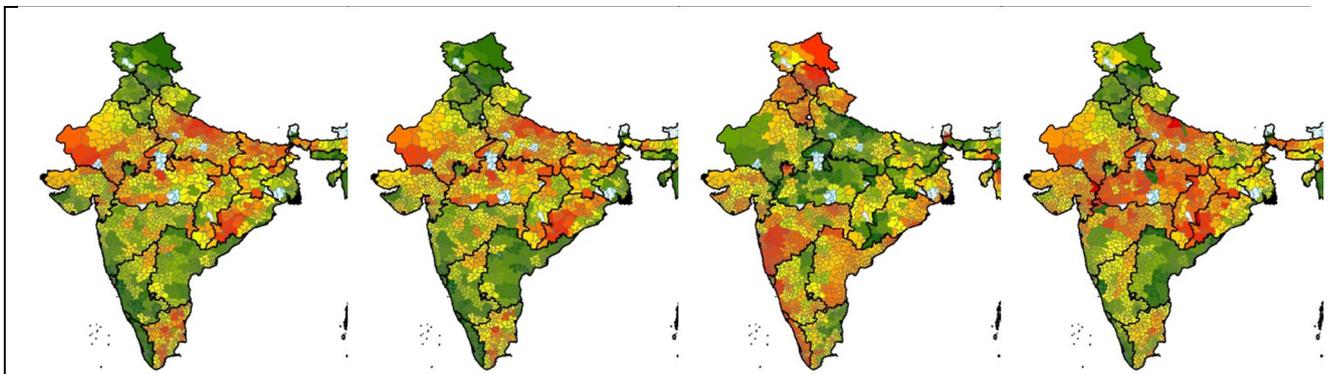


Figure 2. Raw spatial distribution of outcomes. Four ASER achievements mapped from 1 (left to right). Green areas are higher outcomes, red areas are lower, and white districts are null

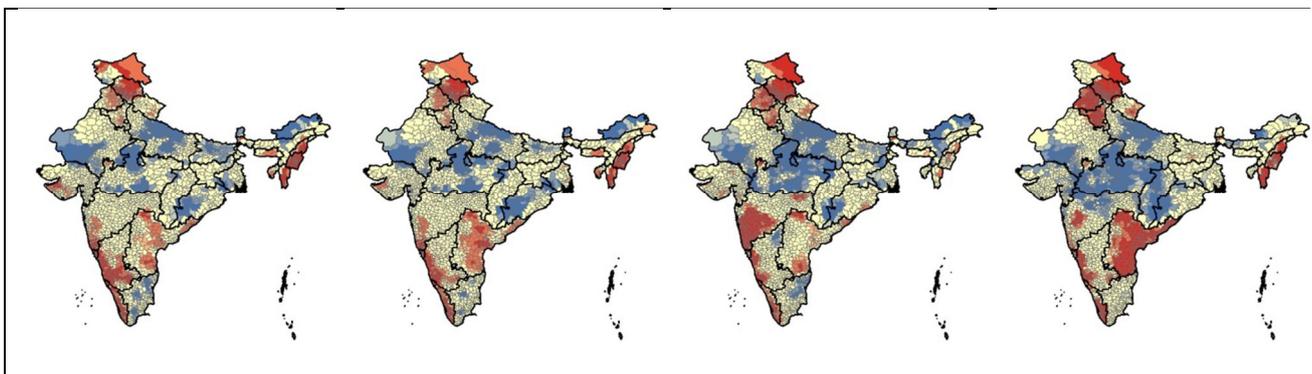


Figure 3. Hotspot analysis. Hotspot mapping of Ach1-4 from left to right. Red is intense clustering of high values, blue high clustering of low values, yellow no clustering

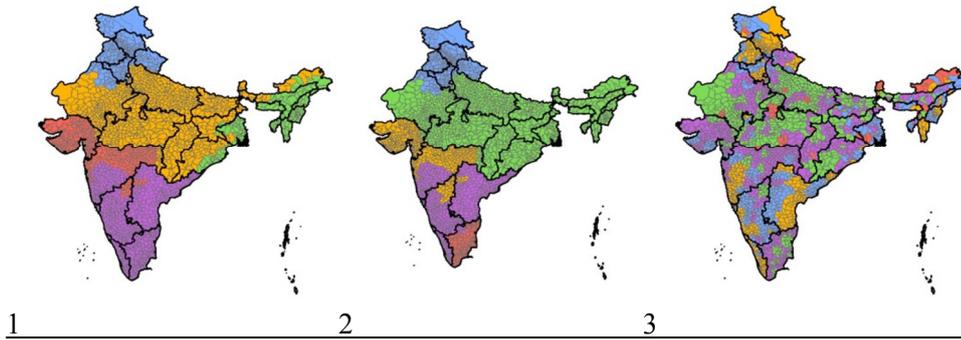


Figure 4. Grouping analysis. from left to right: 1) Five-class grouping with all achievements considered and spatial constraints (edges and corners); 2) Five-point grouping with all achievements edges and corner spatial constraints 3) Five-class grouping without spatial constraints with all achievements;

Findings and Discussion

Different ArcGIS tools were used to identify statistically meaningful clusters of achievement for each of the four outcome indicators (figures 2, 3, 4 above). In all of the maps there is a clustering of retained common features.

Clusters of higher outcomes clustered consistently:

- Were within state borders rather than, only in Maharashtra are high and low achieving clusters present within the state;
- Along the Southwest Coast especially in Kerala, Karnataka, Goa, and Southwestern Maharashtra;
- In Andhra Pradesh;
- In the far northern States of J & K, Himachal Pradesh, and districts bordering HP in Punjab;
- In the Southern Northeast states of Mizoram and to a lesser extent Manipur;

Lower outcomes clustered consistently:

- In states with null values especially Arunachal Pradesh and Sikkim;
- In the middle-latitude states of Southern Orissa, Western Rajasthan, Uttar and Madhya Pradesh;
- Near the Nepalese border regions;
- Tended to spread across state-borders;
- Were located inland and near state borders.

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Panel: Sociology (chaired by Professor Mani)

The relationship between career choice and job satisfaction among teachers in Vietnam

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Abstract

This paper examines teachers' motives in entering a teaching profession and explores the relationships between their career motives and their job satisfaction through a qualitative and quantitative research conducted in Lam Dong Province, Vietnam. The findings revealed that job security and job status were the most attractive reasons among 67.4% and 49.5% of the respondents, respectively. The least appealing motives reported by teachers to be drawn to the career were benefits from learning pedagogical programs, fewer working hours and long holidays, and good salary and fringe benefits with 11.2%, 5.3% and 0% respectively. In addition, 54.6% of respondents indicated that they were satisfied with their choice of entering the teaching career while 13.5% were willing to move to other careers and 17.2% expressed their disappointment for having joined the profession. Results from multiple regression analyses show that teachers who entered teaching due to the desire to work with young people were statistically correlated with level of job satisfaction.

Introduction

Teaching is among the careers that attract a large number of employees in Vietnam. Some people view it as a secure, rewarding and respected occupation with long paid holidays and many opportunities for further training. For others, teaching is not a great profession. It is considered as a job with low pay, intensive workload, and high pressure.

Researches focusing on the motives attracting teacher candidates to teaching profession often result in intrinsic, extrinsic and altruistic reasons. Yong (1995) found that the extrinsic motives were the main determinants rather than intrinsic or altruistic ones. Brookhart & Freeman (1992) discovered that all extrinsic, altruistic, and intrinsic motivations had impacts on teacher candidates' decisions to join the teaching profession. Intrinsic reasons were found to be the attractions drawing many teachers to the teaching occupation by Moran et al., (2001), and Brookhart & Freeman (1992). Barmby (2006) indicated that intrinsic and altruistic reasons were the most important factors attracting teachers to the career. Workload and pupil behavior, on the other hand, were the most influential aspects dissuading teachers from entering the profession.

Altruism was described by some researchers (Brown, 1992; Joseph & Green, 1986) as one of the most influential factors affecting teacher choices for teaching. Mimbs, Stewart, Heath-Camp (1998) and Mimbs (2002) found that teachers joining teaching career were mainly based on altruistic motives. Three altruistic reasons strongly affecting teachers' choice were enjoying working with children, helping people, and being inspired by their own teachers. Farrugia (1986) believed that students who experienced pleasant and successful scholastic careers and those who liked to continue their experiences in helping the community easily became teachers.

Methodology

A combination of qualitative and quantitative research methods was used for this research. Stratified random

sampling technique was applied to pick up research sites and schools. Purposeful sampling with maximum variation technique was applied to select the participants for in-depth interviews and group discussions.

A number of 650 questionnaires was distributed to the respondents, 502 were returned with the response rate of 77.2%, and 436 (67.1%) being usable for the research. Among the 436 respondents, 115 (26.4%) were males and 321 (73.6%) were females. The age range of the respondents was from 22 to 60 with the mean at 34.7 years old. All the respondents had been involved in teaching from 1 to 38 years.

The average teaching experiences of the respondents was 11.3 years. 3.2% of the respondents had upper secondary diplomas, 20.2% had college diplomas, 75.5% possessed university degrees, and 1.1% had masters' degrees. 86.0% of the respondents were classroom teachers, 11.7% were head teachers, and 2.3% were principals or vice principals. The number of respondents teaching at primary, lower and upper secondary levels were 118 (27.1%), 131 (30.0%) and 187 (42.9%) respectfully.

Results and Discussion

The results showed that the most selected reasons attracting teachers to the career were "secure career" (67.4%), and "teaching is a respected career" (49.5%). These two items were followed by "I want to teach the subject that I like", "I love passing on knowledge, skills, etc. to children", "it was the best job available at the time", and "I have a desire to work with young people" with the frequency ranging from 31.9% to 37.2%.

The least selected factors were "the benefits (tuition fee exemption, etc.) for learning pedagogical programs", "few working hours and long holidays" and "good salary and fringe benefits" with 11.2%, 5.3%, and 0% respectively. Among the 436 respondents, 54.6% showed that they were satisfied with their choice of becoming a teacher, 13.5% indicated their desire to change the jobs, and 17.2% expressed their disappointment of having become a teacher.

Standard multiple regression was used to test whether variables of career choice significantly predicted participants' overall job satisfaction. The results showed that the model was statistically significant, $F(11, 424) = 3.175$, $p < .0005$, and explained for 7.6 percent of the variance of the overall job satisfaction ($R^2 = .076$, Adjusted $R^2 = .052$). Only one was found to be statistically significant namely "I have a desire to work with young people" with the significance value at .003, indicating that only this variable made a significant unique contribution to the prediction of the overall job satisfaction.

The Pearson correlation (r) between this variable and the overall job satisfaction was .196, and the squared semi-partial correlation was .019 (1.9%). This meant that this item explained 1.9% of the variance of the overall job satisfaction.

Conclusion

The research findings, to some extent, explained teachers' wishes in joining teaching profession and the background of labor market in Vietnam where people paid the most attention on job security. Intrinsic and altruistic motives were found to be the reasons for entering teaching career of many people whereas financial considerations and other extrinsic reasons played a small part in influencing people's choices in selecting teaching.

The results also showed that career motives generally did not affect the teachers' level of job satisfaction no matter whether they entered the profession because of intrinsic, extrinsic or altruistic reasons.

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The challenges in the economic development of land-locked Laos

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Abstract

Laos People's Democratic Republic (LPDR) is the only landlocked country in Southeast Asia. In addition to being a member of Association of South East Asian Nations (ASEAN) and World Trade Organization (WTO), the country has strategic importance in terms of potential for growth and cross border investment and exports. However, it is listed as one of the least developed countries (LDCs) of the world (World Bank, 2011), and is heavily dependent on investment and trade with its neighbors especially China, Thailand and Vietnam. This paper investigates the challenges hindering economic development and suggests radical policies for Laos's development. The paper examines the both the internal and external economic challenges of the country. The outcome of the research suggests that external challenges including economic, political and cultural interests of neighboring countries are main barriers as well as opportunities for sharing the natural resources of the country. Foreign direct investment (FDI) led policies are recommended for Laos to graduate from the least developed countries (LDCs) list and economic dependency. Laos can transform itself from being a land-locked country to a land-bridge to neighboring countries especially China, Thailand and Vietnam.

Introduction

The Lao People's Democratic Republic (LPDR) known as Laos, was constituted in 1975, but it can trace its history as far back as the mid of 14th century when it was known as the Lan Xang kingdom (UNDP, 2007). Laos is the only landlocked country situated in the Southeast Asian region (Roberts, 2012). It is ranked as a developing and lower-middle income country with a total GDP of \$ 9.2 billion and population of 6.6 million (World Bank, 2012). Geographically the country shares 5,083 kilometers of borders with five countries namely Thailand, Myanmar, Cambodia, Vietnam, and China.

Laos has undergone some economic reform; in 1986, it was one of the first communist countries which decentralized central control and encouraged free enterprises. The first free market reforms were implemented in the same year under the scheme which was called *Jintann kan Mai* (New Way of Thinking). In 2003, the Government of Laos PDR adopted the National Growth and Poverty Eradication Strategy (NGPES) intended to eradicate poverty through sustained and equitable economic growth (UNDP, 2007).

Shrestha (2010) confirms that Laos is a rich country in natural resources like timber and minerals (including Copper, Gold, Tin, and Gypsum) and has significant hydro power potential (in the range of 18,000 to 21,000 megawatts) (Shrestha, 2010). Roberts (2012) finds mining and hydropower as the main source of export industries of Laos in recent years.

In addition to the agricultural contribution to the GDP of Laos which is over 50%, in recent years manufacturing and services sectors are also encouraged by the government. However by tradition Laos has a closed economy; natural resources are traded informally particularly with the neighboring countries such as Thailand, China and Viet Nam. Laos also imports industrial goods and commodities from its neighbors as well as other countries in the world (United Nations, 2003). Shrestha (2010) affirms that domestically 97% of manufacturing units are of small and medium enterprises (SMEs) which are mainly owned by the private sector and joint ventures with foreign investors.

According to the ADB (2010), Laos is a landlocked country and heavily depends on road transport for economic development. However, between 2009-2010 Laos received almost \$ 48.8 million for road construction; only ADB spent around USD 406 million between 1983 and 2009 for the development of infrastructure (Transport Sector), but still its road concentration is low (6.1 km per 10,000 people) as compared with other Southeast Asian countries and other landlocked countries. Overall due to poor transport

subsectors such as railways, urban, air, inland waterways, the Laos economic growth is slow which made the foreign investments attraction low too.

The objective of this study is to explore economic development challenges of land locked countries like Laos, and make recommendations from the findings of the study for the solution of the economic development challenges of Laos. To achieve the mentioned objective this research tries to answer the below question: What are the economic development challenges of landlocked countries like Laos ?

Methodology

This research study is qualitative and the data were collected from secondary sources including academic journal articles, reports from multi-lateral organizations (United Nations and Asia Development Bank) and government documents particularly from Laos Ministry of Planning and Investment reports related to the landlocked countries' economic development.

The data collected are only text (words) and graphs. Creswell (1998, P. 181) confirms that data in the qualitative studies should be text and images; he further finds that secondary data collection from both private and public documents has its advantage and limitations. According to him the main advantage of data collection from documents is saving of the research time, but the limitation is probability of data incompleteness and inaccessibility of the documents to private access.

Discussion

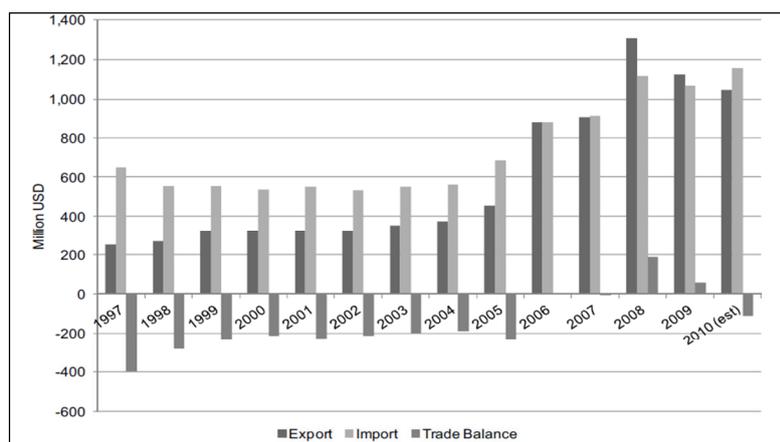
It is found from the literature that being land-locked is one of the main challenges for the economic development of landlocked countries in the world, but it is not an excuse for poor economic performance. There are some landlocked countries such as Swizerland in the list of developed countries. In the case of Laos, it is clear that in addition of the being rich in natural resources and being the only landlocked country in Southeast Asia, it has some other challenges which are both internal such as education, health, corruption and infrastructure (road connectivity) and external such as social, economic and political interest of neighboring countries for its economic development.

If the neighboring countries honestly invest in Laos, these challenges will lessen, economy will develop and there will be no need of labor migration to other countries. Oraboune affirmed that since the 21st century FDI particularly in the agriculture, hydroelectricity, tourism, mining and manufacturing has increased in Laos. He further mentioned that land linking of Laos with its neighboring countries will be a main tool for the economic development of Laos; he concluded that since the mid of last decade (2006) the trade balance of Laos seems sound (see figure 1), this all is due to the FDI in the country which also reduced poverty from almost 46% in 1990/91 to 21% in 2010/11 (Oraboune, 2012).

However, UNCTAD (2003) found being landlocked as a one of the challenges for foreign investment in the landlocked developing countries due to their geographical isolation, distance from the international markets, and a lack of connectivity with the sea; they further mentioned that the average export earnings cost of LLDCs are twice more than the average spent on export by non-landlocked developing countries and three times more than developed countries. The report concluded that this cost depends on the LLDCs political and commercial relations with their neighboring countries having access to the sea (UNCTAD, 2003).

But in the case of Laos, FDI has increased particularly since 2002; not only Asian countries do investment but other countries such as US and Australia do invest. Researchers such as Oraboune (2012) found FDI as a tool of land bridging for the landlocked countries and Laos is a good example where poverty has been reduced since 1990.

Figure 1: Foreign Trade of Laos PDR (1997-2010). Source: Ministry of Commerce and Industry, 2010



Athukorala (2003) also agrees on FDI as a tool for economic development. According to him FDI brings some advantages, new experiences, techniques and concepts for economic development; he believes that bringing of new technologies will increase the employment opportunities and will make the production efficient and help with time saving. Jovana (2005) confirmed the advantages of FDI and concluded that FDI accelerates the economic growth of the host countries in the long run and has a huge impact on the living standard of the people in the host country too.

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Vietnam's strategy towards a rising China

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Abstract

China to some has become a major concern in the international relations of countries in Southeast Asia. China's rise at the regional and global stage coupled with its demand for attention has made all its neighboring countries view China as both a benefit as well as a bane in their relations with China. Vietnam is among the many countries bordering China that is very concern over the expansion of Chinese multidimensional capabilities such as economy, military, politics and diplomacy. Hanoi's relations with Beijing have historically been marked by cooperation and conflict. In this paper, two major questions will be raised. First, what are the strategies that Vietnam has developed in facing a rising China? Second, how Vietnam's strategies towards China have changed due to internal and external impacts? This paper will discuss the many strategies undertaken by Vietnam as it strives to manage the rise of China. The first part of the paper will show how with the ending of the Cold War, Vietnam has adopted the Chinese model of formulating an open door policy and making economic reforms through the promotion of economic development and the encouragement of outside investment. The second part of this paper will show how the maritime dispute in the South China Sea and the rise of China's military power which has raised the concerns of Vietnam. The third part of this paper will explain how Vietnam has adopted the balancing strategy in working with ASEAN, China, and the United States.

Introduction

Vietnam's Strategy in Facing a Rising China: Most deliberation on the responses toward China's rise accompanies four theoretical frames of whether states are balancing, bandwagoning, engaging, or hedging in their relations with China (Vuving 2006, p.806). *Balancing* refers to the relationship between two or more states that set their policy direction in preventing the dominance of the regional order by one or more states by cooperating or seeking alliances in order to avoid the influence of a stronger power while *bandwagoning* is when weaker states balance against the stronger power and cling on to the strongest country for their own security.

The *hedging* behavior is motivated by the need of maximizing economic benefits and minimizing security risks in response to an environment of uncertainty and most Southeast Asian countries engage in the hedging behavior, primarily driven by the rise of China as the major economic and military power. Southeast Asian governments believe that the interdependence with China will lead to regional peace and stability. In addition, *engagement* refers to a state of using inclusion and coexisting within the institutions of pre-existing international order. Different from most Southeast Asia, Vietnam has pursued different strategies toward China's rise. This paper explains Vietnam's underlining strategy of balancing among the members of ASEAN, China, and the US.

Discussion

Cooperative Balancing: The Chinese economy has developed at a fast pace in the 1980s (World Bank 1992, p.221). This rapid economic growth was related to China's persistent efforts on its economic reform and particularly, China's open door policy. China's open door policy began in 1980 when Chinese government effectively used the exports and foreign investment. China's trade regime before 1980s reflects China's strong distaste of trade and foreign investment (Lardy 1994, p.1). However since 1979, China's decision to open up to the outside of the world made Chinese government to decentralize its decision making to regional

foreign trade corporations, stimulate exports and attract foreign investment, replace export and import restrictions, and loosen the control over the foreign invested firms (Wei 1995, p.75).

In the mid-1980s, Vietnam recognized the urgency of economic development and has adopted the Chinese model of formulating an open door policy. It prioritized regional cooperation and better relations with world economies, especially the major economic powers (Vuving 2006, P.814). Beyond signing various trade agreements, Vietnam particularly has focused on strengthening the dual cooperation in economics, investments, and trade with China and the US. The total Vietnamese-Chinese import-export value reached approximately over 30.9 billion USD in 2010 and China became Vietnam's number one trading partner (exports 4.9 billion USD, imports 16.4 billion USD) in 2010 (MOFA 2011). Furthermore, on the other hand, Vietnam has balanced the Vietnamese-Chinese relations by maintaining relations with the US. President Obama expressed "the steady profession in US-Vietnam relations"¹ and the US has maintained to be one of Vietnam's largest economic partners since the 1980s (Colapinto 2013).

Hostile Balancing: Sino-Vietnamese relations have improved since both countries normalized relations in November 1991. Both countries have demonstrated forgiveness on historical issues. However, few issues have negatively influenced Vietnam's approach to China-the territorial disputes on Parcels and Spratly Islands. The territorial disputes in the South China Sea occurred among the Southeast Asian Countries such as China, Taiwan, Vietnam, the Philippines, Malaysia, and Brunei all have claimed sovereignty over the sea area. The high possibility of natural resources particularly oil, natural gas and the fertile fishing grounds have made countries around South China Sea to compete for sovereignty. However, China's growing assertiveness and interests in South China Sea have provoked anger of neighboring countries. The territorial disputes on Spratly and Parcel Islands have escalated from the 1970s to 1990s, and in 1988, there was an armed clash between China and Vietnam (Shoji 2012, p.3).

China's assertiveness in the sovereignty of South China Sea has been gradually intensified and Vietnam has strengthened its security cooperation with the ASEAN members and the United States. In the early 2000s, Vietnam carried out the talks of cooperation for settling border disputes with Southeast Asian countries. Vietnam strives to check China's aggression through the ASEAN-centered multilateral dialogue. Moreover, Vietnam has put effort in strengthening its balancing between the rise of China and the United States by forging closer ties with the US. President Bush promised Vietnam support in its security, sovereignty, and territorial disputes against China (Manyin 2008, p.1-2).

Conclusion

Keeping the best possible balance in its relationships with ASEAN, China, and the United States has turned out to be the cornerstone for Vietnam in dealing with the rise of China since the end of Cold War. The relations between China and Vietnam have been turbulent with the centuries of conquest and on-going territorial disputes. Vietnam has had deep-rooted suspicion of Chinese attempts to dominate Vietnam and so Vietnam has developed relationships with the United States and restored the relationships with ASEAN. Vietnam believed the US was the only power capable of effectively challenging and constraining China's military ambition (Hiep 2013). ASEAN was also needed when balancing between China and the US.

Since the 1980s, when Vietnam's economy was reformed, Vietnam considered the US as one of its most important economic partners. However, Vietnam has never forgotten the importance of maintaining its relationship with ASEAN and China. Regardless of some tensions over contentious issues, Vietnam has promoted the intimate and interdependent economic relations with China for its economic development. The Vietnamese government has maintained a successful balance since the end of Cold War. Vietnam's very close

¹ Presidents Truong Tan Sang of Vietnam and Barack Obama of the United States met in the Oval Office of the White House in Washington DC, July 25, 2013 (White House/Pete Souza)

but very complicated relations with ASEAN, China, and the US and this is Vietnam's strategy toward a rising China.

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The rise and fall of rubber in the economy of Brunei Darussalam

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Abstract

The contemporary economy of Brunei Darussalam is totally dependent on the export of oil and natural gas. In the years before oil and natural gas was found in Brunei, the economic destiny of Brunei was unpredictable and the dire economic position of the economy pushed the British administrators to experiment with various forms of economic ventures to sustain the cost of running a British protectorate that did not have the natural and human resources to sustain the economic viability of the place. With the constant threat of being taken over by the robust economy of Sarawak, both politically and economically, the British civil servants had to undertake economic experiments to keep Brunei as a viable place. The paper examines the efforts taken by the British to introduce rubber as a cash crop that could be locally grown and exported. Both small holder and plantation scale cultivation was introduced. The members of Malay royalty as well as Chinese were quick to develop small holdings where they hired local labor or worked the holdings themselves. As Brunei lacked the population for labor, workers from elsewhere had to be imported to help in the development of plantations. The paper attempts to firstly describe the economy of Brunei from 1905 to 1941 and the attempt to diversify the economy to engage in cash generating agriculture. The second part of the paper comments on the rise of rubber as an important aspect of the world economy in the early twentieth century, especially in Malaya and Sumatra. Brunei's attempt to foster the development of rubber cultivation is described as part of this global and regional process. The section also describes the strategies undertaken to overcome the lack of capital and labor in Brunei. The third part of the paper comments on the demise of the rubber venture with the onset of the worldwide fall in rubber prices as well as the avarice of small holders to tap their immature rubber saplings whenever the London Rubber market promised increased return for rubber latex. The onset of the Second World War and the victory of the Japanese over the British Army end the Brunei experiment with rubber. In the post-war period rubber's role is totally neglected as Brunei becomes an oil producing country.

Introduction

Contemporary Brunei economy is dominated by the exploitation of oil and natural gas for export. However, until the 1950s, Brunei's economy was in the doldrums as the British Residents of Brunei struggled to balance the administrative budget of Brunei. Even though oil in terms of commercial exploitability was discovered in 1931, the intervening war years did not allow Brunei to enjoy the return from oil and natural gas export. After decades of distributing the proceeds from oil wealth in terms of 'the cradle to grave' social welfare, Brunei is now deeply concerned about a future in which oil and natural gas may be depleted leaving Bruneians the cruel choice they faced in early twentieth century as to what to do keep their economic and political distinctiveness.

When Britain established the protectorate of Brunei with a British Resident to manage the administration of the state, the British were aghast as to how to raise the revenue to run the Sultanate. After trying many ventures, they decided to extend the same economic model as they had established in the Malay Peninsula (West Malaysia) by promoting agriculture as a source of income. Rubber was discovered to be the best choice for improving the economic condition of Brunei.

History of rubber cultivation: Rubber had difficult beginnings in Brunei. As the majority of the people preferred to stay on houses built in the middle portion of the Brunei River, it was extremely difficult to convince them to take up residence on land. Some of the members of the royalty were keen to improve their economic status and they were the first to begin the rubber cultivation in Brunei. In the early twentieth

century rubber was the 'white gold' of the world. With the advent of the motor car in the United States and the many use of rubber in industrial production, the price of rubber was fetching high prices. While the individuals sought to benefit from rubber planting, the British administrators of Brunei looked to the plantation sector to boost the revenue to the state. They explore the possibility of establishing plantations so that taxes will be generated.

Methodology

The study uses published sources as the major focus for collecting the data. These exist in the form of annual reports on the British Residency. The author has been collecting these data over the last twenty years. These and the fewer data that exists on Brunei are used to complete the paper.

The first of paper describes the early economic struggle of Brunei's British administration to increase the revenue of Brunei through agriculture. Exhausted by the many problems of running Brunei while British North Borneo and Sarawak were making rapid strides in economic self-sufficiency, the British were actively considering making Brunei a part of Sarawak than continue with the maintenance of Brunei.

Findings and Discussion

The second part of the paper details the historical origins of rubber cultivation in Brunei. It describes the difficulty faced by members of the royalty to cultivate their land as local population only resided on houses built on stilts in the Brunei River and showed great reluctance to move to land. The small-holding cultivation of rubber faced difficulties due to shortage of manpower as well as suitable land adjoining the main river.

The government on the hand planned to overcome the problems of rubber cultivation by establishing plantations similar to those begun on the Malay Peninsula. They invited some of the plantation owners from Malaya to begin four plantations in Brunei. In order to overcome labor shortage, they brought Tamil and Javanese coolies to work in the plantations.

For some time the influx of plantation labor helped to increase the population of Brunei resident on dry land. However, the rubber bubble burst in the 1930s. As rubber prices plummeted, Brunei's small rubber holding reverted to jungle and the plantations became deserted. The plantation labor became cultivators of land for food than for commercial export of rubber. By the late 1940s, rubber was abandoned as a savior of Brunei's economy and was replaced by the prospect of oil yielding some relief to the budget strapped Brunei.

The final part of the paper places Brunei in the context of the global economy of early twentieth century and argues how small states are unable to adjust to the changing demands of the global economy for primary products. By extension, it tries to show how Brunei may be faced with a similar situation if the present demand for oil and natural gas either drops or is replaced with alternate forms of energy in the consuming countries. Brunei's economy has become dependent solely on the export of hydrocarbons than anything else.

It still suffers the lack of able manpower for any economic shift without allowing its population of foreign workers to increase beyond the 30 percent level. Instead of the resource curse due to oil Brunei is faced with very few options to transform its economy owing to population and other problems related to sovereignty of the last Malay Kingdom on earth.

Ethnic majority's strategies for starting tourism business in ethnic minority areas: the case of Lao Chai village in Northern Vietnam

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Abstract

When tourism develops in ethnic minority areas, the ethnic majority controls the tourism industry and ethnic minorities often remain in the lower paying jobs. Many studies like cases in Tibet and Northern Thailand support such characterization. There are many such studies on minority groups but not on majority's strategies taking advantage of minority ethnic tourism. This study looks at how the ethnic majority (Kinh) tries to establish businesses in an emerging ethnic (Hmong) tourism destination in Northern Vietnam. Data for this study was obtained from observation and interviews conducted in 2012 and 2013. We interviewed all the shop owners (22 shops) in Lao Chai village in Lao Cai Province. The study shows that Kinh shop owners took advantage of existing connections with the locals. Many owners moved to Lao Chai and established businesses because their relatives who had moved here before encouraged them with various reasons (such as job and marriage) to open a business in tourism. Also there are teachers who were sent here by the government and opened a business after the number of tourists increased rapidly. Kinh's business consists of three types, restaurants, craft shops and grocery stores. When relationship with Hmong is stronger, their businesses tend to be larger and more successful in the restaurant and craft shop sectors. Hmong's political power and land ownership are exploited for success. However, when it is weak, they establish small-scale grocery stores. Grocery store owners tend to think of their life in Lao Chai as transitory. Since Kinh's opening of business is very recent and it is a local phenomenon, no policy has been enacted so far in response to the influx of Kinh business people. Currently, Kinh have a good relationship with the village head (Hmong) and the People's Committee.

Introduction

Sa Pa is a well-known tourist destination in Northern Vietnam. It has a cool climate and many ethnic minorities with a history of being a resort station during the Indochina era. Thus, it is promoted as a resort like Da Lat in Southern Vietnam despite being downgraded and as a place for diverse ethnic cultures (Michaud and Turner 2006). In 2011, Sa Pa received 520,808 tourists (407,921 domestic tourists and 112,887 international tourists who came from 113 different countries).

Following the tourism development of Sa Pa Town, the surrounding communes have attracted many tourists, one of which is Lao Chai Commune, a Hmong community. The commune has 5 villages, Ly Lao Chai, Lo Lao Chai, Hang Lao Chai, San 1 and San 2. There were 535 households and 3,259 people in 2009. This is a Hmong community in which 97.17% are Hmong people. The other people are Kinh (76 persons, 2.34%), Giay (11 persons, 0.34%), Tay (3 persons, 0.09%) and others (2 persons, 0.06%). Kinh are recent migrants who moved to Lao Chai for teaching or tourism businesses.

After 2000, many tourists began to visit Lao Chai and shops were established. The shops were established due to tourism development and the owners are not only Hmong but also Kinh and other ethnic minorities. In this paper, we focus on Kinh's strategies to conduct business in a Hmong's world.

Methodology

In this study, we use a qualitative research method that consists of structured interviews, informal dialogues

and observation. Three pairs of Japanese and Vietnamese researchers interviewed shop owners and employees along the main trekking road that cuts across the Commune, excluding a shop that was closed during our interviews (March 8-9, 2012). In total, 22 shops along the road were formally interviewed, of which 10 Kinh shops were further interviewed in an unstructured way in March 11-14 and September 23-26, 2013.

Discussion

Hmong as a Power Holder: As a Hmong community, Hmong people's power comes from political, material and cultural resources in Lao Chai Commune. Political resources have two tiers, bureaucratic and traditional. On the former, People's Committee at the commune is managed by Hmong as well as at the village level administration. The chairman, vice-chairman and most of the staff members of the committee and all the village heads are Hmong. The only exception is Kinh staff in the committee who do technical jobs such as accounting and land management, and the Tay staff. On the latter, each village has elders who still have power to influence village affairs. According to the oldest person (75 years old) in Hang Lao Chai village, with a few exceptions, most of the younger people follow what elders say (interviewed on September 24, 2013).

Material resources mean ownership of land. As a typical rural community in Vietnam, this commune maintains subsistent agriculture. Thus, agriculture and land are the most important. The size of the land has been one of the determining factors for wealth. Hmong has three types of land; farm land, garden and housing plots. Lao Cai Province has access to land price of Lao Chai Commune. Currently, land between Provincial Road 115 and Lao Chai Bridge over Muong Hoa River is about 1,200,000 VND per square meter and between the bridge and the border to Ta Van Commune is about 800,000 VND per square meter. Since San 1 and San 2 are off the main trekking road where business activities are carried out, the land prices are between 300,000 and 500,000 VND per square meter. This is the lowest price tag; the market price is much higher. When land is needed for tourism businesses, Hmong people have an advantage on how to use their land. Land can be kept, leased or sold. In case of selling land, land along the major trekking road is very expensive. One plot (about 15 m²) prepared for sale by a Hmong family was 420,000,000 VND.

The importance of cultural resources is increasing as Lao Chai becomes a destination for ethnic tourism; Lao Chai Commune is branded as a destination to see Hmong people and their culture. People can earn money by relating to Hmong culture directly or indirectly. Directly, Hmong people can sell their handicrafts to tourists and tourists regard them as cultural products based on Hmong tradition. The other ethnic groups can sell handicrafts to tourists. Their products such as stone carvings are not related to Hmong culture but tourists usually cannot distinguish them in an environment where Hmong's presence is overwhelming. In a sense, cash income related to tourism owes to the representation of Hmong culture in one way or the other.

Kinh's Strategies to Do Business in the Hmong Community: There are three types of shops in Lao Chai; craft, grocery and restaurant. Kinh people engage in all three types. However, which type they choose depends on the degree of social ties with Hmong and other minority groups. When the relationship between Kinh and Hmong is weak, Kinh people tend to open grocery stores.

Kinh grocery owners came from other provinces such as Vinh Phuc and Vung Tau. They do not have local (cultural, political and material) resources. Their business is the major source of income. Most of the goods in grocery stores are sold to local Hmong people. Only in a few occasions, tourists buy soft drinks and snacks. The Kinh grocery shop owners are not well educated (up to high school) and are reluctant to communicate with international tourists. Also, since they are not minority people and recent migrants to this area, selling Hmong cultural products is beyond their capacity. What they are good at is selling daily

necessity items to local people. And those items have been handled by a Kinh wholesaler who lives in Ta Van Commune. The connection to the Kinh wholesaler is an important resource for them in this minority area.

Since these Kinh are not able to utilize local cultural resources and to communicate well with international tourists, their business depends on Hmong people. Here, Hmong earn money from international tourists by selling crafts (commodification of Hmong culture) either through shops or vending. Since Hmong have opened only 8 shops, the majority of their cash income comes from selling crafts to tourists on the trekking route as street vendors. They stop by grocery stores and buy snacks, fruits, prepared foods, sugar cane, soft drinks, etc. For example, when child vendors earn money, they tend to use it to buy candy and ice cream. Also, during lunch time, a Kinh grocery store becomes an instant restaurant for Hmong street vendors. Inside the store, chopsticks, hot water and plastic bowls are prepared on a table.

Hmong people buy instant noodles and go inside and cook. If they are in a hurry, they just buy boiled eggs and some snacks. In another case, Hmong people bought firewood and chicken from a Kinh store. These products can be obtained self-sufficiently but they are buying them now. So, in a sense, grocery stores function similar to a convenience store. So, we observe major money flows from international tourists to Hmong crafts sellers to Kinh grocery stores in Lao Chai village.

There are two Kinh craft shops. Compared to Kinh grocery owners, these Kinh shop owners are more embedded in this community as their wives are Day and Giay, the other minority groups, from nearby villages. Kinh are usually reluctant to sell crafts because they feel it is better that Hmong people sell their traditional crafts to tourists. Kinh people, as outsiders, recognize crafts are difficult to sell because in order to sell them to tourists, they have to be wrapped according to local culture. Also, in order to sell crafts, sellers have to negotiate with tourists, sometimes in an embarrassing manner. This is what Kinh people want to avoid. However, the store tenders of these 2 Kinh shops are minority's wives, to overcome such a situation.

Only Kinh with higher social status (money and education) and closer social ties with Hmong operate restaurants. There are four restaurants in the commune. Restaurant business is the most profitable one among the three types of shops. One owner is a teacher who was sent here by the government. He purchased land from Hmong in the most valuable area and is operating his business when he is not in school, with the help of his wife and a Hmong employee. Also, the biggest restaurant is operated by a Kinh wife whose husband is Hmong but his identity is Kinh since he is the child of a Hmong father and a Kinh mother. This restaurant is doing very well because it gets cultural, political and material resources of Hmong and business skills of Kinh through two generations of intermarriage.

Unlike Tibet or Northern Thailand, Lao Chai is not exploited by the ethnic majority of Kinh. This is because Hmong is the power holder in this community and in order to do business here, Kinh have to have social ties with Hmong people. The degree of social ties creates separate market niches which reduce conflict among ethnic groups. As tourism development is new and has not created any issues in Lao Chai Commune, no policy has been implemented and currently the People's Committee does not have the intention to make a new policy.

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Visual quality assessment of rural landscape in Bumiaji district, Batu city, Indonesia

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Abstract

Rural landscape that has potential scenic beauty should be managed through landscape planning and design approach. That approach could be based on landscape as a visual architectural resource or as a biophysical ecology resource. Indonesia has considerable resource landscapes with a variety of rural characteristics. However an interim policy study on landscape visual resource management (LVRM) that may affect the ecological function of landscape has not been done. Most of rural landscapes in Indonesia lay on sensitive areas that have environmental conservation issues. It may become more problematic if the landscape is located over rural urban borderlines. Planning and architecture design of rural landscape should be put in the conservation objectives of environmental resources. Visual or aesthetic approach to assess an environmental resource quality is very important in tourism development planning. This paper presents a visual quality assessment that was done in a rural landscape of Bumiaji District, Batu city, Indonesia as an area planned to drive the city dynamics through tourism as well as its rural landscape scenic beauty. The potential of Bumiaji District rural landscapes is not separate from the morphology of the area surrounded with mountains, covered by dynamic topography, and agriculture activities as well as remote areas that serve as regional conservation areas. Methods of analysis emphasize on visual observation data by weighting techniques over visual and architectural landscape elements. This study focuses on the existence of agricultural areas and protected forests that are dominant in rural landscapes; the study assumes that both play a role in visual performance of rural landscapes. The study shows that the quality of the harmonious relationship between forests and agricultural areas can be explained by the visual aspects of the architectural landscape. The explanation is very useful for monitoring and controlling the process of an overall ecosystem.

Introduction

Rural landscape in tropical countries such as in Indonesia is seen as a source of biodiversity that plays a role in the stability of the earth's ecosystem. These views attract the attention of the world community towards rural landscape preservation. Rural landscapes in this study can be defined as regions with a countryside character different from urban character. Rural landscapes also show that the relationships between nature and humans are characterized by land management activities such as agricultural, horticultural, and forestry (Jacobsen , 2007; Rogge , 2007; Winchombe , 2004).

Rural landscapes provide ecosystem services of value such as cultural amenities with the beauty of the rural landscape, wild habitat, open space, and with community cultural activities. Rural landscapes can also be seen as a function of agricultural areas. Green open space in agricultural areas also protect the soil and water, microclimate control, carbon store, resource biodiversity conservation, and provide landscape beauty in addition to the function of an agricultural system. In developing countries including Indonesia, the value of rural landscape amenities is utilized to develop tourism activities such as agro-tourism and eco-tourism. Rural landscapes can thus be a driving force in the restructuring of sustainable rural areas (Sznajder , 2004; Domon , 2011).

Rural landscape in the border of urban-rural areas often suffer greater pressure from changes in land use, for example agricultural infrastructure, tourism, housing, and other facilities (Soini, 2012; Lokocz , 2011). In addition the areas with natural scenic beauty will trigger a lot of activities that could potentially interfere with the surface of the landscape, even degrade its beauty value and amenity value. This phenomenon will

continue if they are not regulated and considered in spatial planning. Such a sensitive environment requires visual resource management. Mc Harg (1969) mentioned the importance of the visual quality of a landscape approach to manage a region with strong characteristics and sensitivities.

Although the rural landscape can be a driving force in the restructuring of rural areas, unfortunately the beauty and amenity value of landscapes in Indonesia rural spatial planning have not been a priority for further development. This paper applies a method for assessing the quality of the landscapes and discusses the findings for further planning. There are many methods of landscape assessment, but in this study the most simple and straightforward are deliberately selected though they are adequate in visual data presentation and aesthetic landscaping. The study shows that the quality of the harmonious relationship between forests and agricultural areas can be explained by the visual aspects of the architectural landscape. The explanation is helpful and facilitates the process of monitoring and controlling the overall ecosystem.

Methodology

This paper is based on a series of studies to provide visual and spatial planning recommendations for Bumiaji region. Bumiaji was selected in this study because it represents one of the regions with a natural potential for planning of tourism development. This paper presents the initial stage of analysis, adopted from the Visual Impact Assessment developed by Smardon (1986). This method is essentially a weighting analysis to consider the visual aspects objectively.

This study is based on the assumption that landscapes have an objective aesthetic visual (Arriaza and Ortega, 2004). Units of analysis include photographs taken from the point of observation on the road frequently travelled by observers. Hosni and Shinozaki (2009) also used photographs to classify landscape visually. Observation points or vantage points (Yamashita, 2011) in this study are determined purposively through field observations and mapping. This paper presents some photographs of the analysis research unit with a high rate of visual quality and discusses the interrelationship of them in planning and design.

Discussion

General characteristic of Bumiaji District in Batu City's spatial planning: Agricultural areas and forest protected areas are two important subjects in the discussion of rural landscapes in Bumiaji district. Both of them are often used in the basic consideration for determining various activities in Batu city's spatial planning. Bumiaji district in Batu city's spatial planning is defined as a region with agropolitan and agrotourism development areas with its main function being that of agropolitan, nature tourism and ecotourism. One of the spatial patterns in the development policy for Batu city is preservation of protected areas to strengthen Batu city role in supporting upper Brantas river and supporting Batu city environmental sustainability as a beautiful mountainous area, which is safe and comfortable. Bumiaji district is considered a third of (Bagian Wilayah Kota III) the three parts of Batu City planning. This BWK is part of the city region with an area of 127.98 km², with low population density and a predominantly agricultural region (Batu City Planning 2010-2030).

Bumiaji physical characteristics that distinguish it from the rest of the city is being surrounded by a mountainous area along the eastern side (Welirang Mt, Mt Twins, and Arjuno Mt) and western side (Anjasmoro Mt, Mt Pretong, Orange Mt, and Kerubung Mt). Bumiaji land topography is dominated by a fairly steep slope with a distribution as follows: slope above 40° by 42%, 25°-40° by 24%, 15°-25° by 17%, 8°-15° by 9%, and 0°-8° by only 8% (Source: Analyzis 2013). Mountainous conditions and topography of this kind has become the basis for determining the function as protected forests in most areas of Bumiaji. Protected forests include an area of 5197.4 of Batu City Planning , as 3764.40 hectares located in Bumiaji. Batu city is located in the upper reaches of the Brantas River with a catchment area function and many

springs used as source of water that is distributed throughout the city of Batu, and even other cities. There are a total of 83 springs in Batu, 46 of which are in Bumiaji.

The role of visual contrast and observation distance in visual quality of Bumiaji Rural Landscape:

Landscape scenic beauty is influenced by the physical form of the landscape such as vegetation pattern in addition to topography, slope, and building coverage (Daniel, 2001). Agricultural areas and forest protected areas are two entities that support each other but have different ecosystems. One is the number and types of vegetation and animals. Forest has a big number and diversity of plant species, while agriculture has very limited number and types of plants. Agriculture has a tendency towards monoculture, where only one crop is planted (monocropping system).

Agricultural commodities in Bumiaji region are distinguished based on seasonal crops (vegetables and flowers) and perennials (dominated by apples and oranges). Vegetation is one of the attributes of the landscape that can be used to measure the quality of the landscape. The different type of vegetation create a variety of landscape composition both ecologically (Mahendra, 2009; Natori, Fukui, and Hikasa, 2005) and visually (Rogge, 2011; Brown and Itami, 1982).

Although Bumiaji has a quite large potential in topography and vegetation, the visual quality on its composition still needs to be improved and developed. If Bumiaji is consistent in the plan to develop eco-tourism, the visual composition of the landscape should be an issue in the planning and design. Figure 1 illustrates an example of visual composition on some slope from elements of forest vegetation, agricultural vegetation, and buildings cover. Topography and slope of land is used to evaluate the land carrying capacity and ecological capabilities. Steep slopes carry high erosion rates which require a larger number and percentage of vegetation cover. On the other hand, land slope affects the visual magnitude of landscape. The greater the slope, the visual effect of landscape scenery will be even greater (Forest Practice Board, Tasmania, 2006).

Landscape visual quality is also influenced by observer's visibility. The contrast attribute of far distance observation is influenced more by topography and landform diversity than diversity of vegetation. Litton (1972) noted that surfaces of landforms will lose detailed distinctions, with emphasis on outline or edge, and the background becoming an effective foil against which foreground or background is more clearly seen as in a figure-ground relationship. Such scenery is much more visible on the main roads, where the mountains and forests more pronounced as the background.

At close range and medium distance observation, the contrast effect on visual quality is more determined by the color of constituent vegetation such as agricultural crops and forest vegetation stands. The visual composition of this kind is seen in the small road sections that are used also for adventure and mountain bike paths.

The development strategy of agropolitan natural areas and protected areas in spatial planning Bumiaji region can benefit from landscape visual resource management approach. The diversity of vegetation which does not pay attention to the aesthetic attributes gets a low rating, especially in short distance observation. The diversity of vegetation has a positive value both ecologically and visually. However the diversity of vegetation in the visual dimension needs aesthetic attributes to remain a positive value. There are principles of diversity of landscape visuals as Smardon (1986) noted.

In the foreground, the texture and color add the most diversity. Therefore vegetation on the foreground should pay attention to color composition and texture details. Though vertical vegetation diversity gets a positive value ecologically, but it does not so as visually as the color and texture do. Smardon also noted that in the middleground, line is the most outstanding element; in the background, the form is usually the most important element creating diversity.

Conclusion

The visual quality of landscape is influenced by the biophysical aspects of the landscape and observer perceptions that can be distinguished according to visibility observations. Observation positions that can provide better visual quality will tend to be more attractive and have a high economic value which encourages land-use change more quickly. If this is an issue in the planning, the level of these changes can be controlled.

Improving the landscape visual quality can also prevent land from an undervalued situation with the potential that biodiversity becomes a common property resource, with open characteristics that are undervalued. According to Djajadiningrat (2011), undervalued land conditions can lead to increased environmental and ecosystem degradation.

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Development with people-centered capital in seven low- income Asian countries

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Abstract

Governmental finance as well as operation of economies has revealed the unsustainability of the dependency on physical capital. This article studies the possibility of exercising people-centered capital, namely human capital and social capital, in economic development. Capital method is employed to analyze interviews with people from seven low income Asian countries. How low income countries develop and utilize human capital, such as daily life and professional skills, as well as social capital, like family bonding and community ties, may offer implications in realizing the idea of de-growth. This article further explores interlinks among human capital, social capital, and physical capital. First of all, skill-learning does not stand alone. It could benefit from social network, norms and values that encourage learning. On the other hand, the formation of family bonds is embedded in family education. The latter includes the norms and skills that facilitate the care-taking of other family members. Like other forms and values, it takes time to develop in a society. Moreover, certain type of physical capital is essential to enhance human capital. Basic educational facilities facilitate schooling while basic medical facilities contribute to the duration of exercising human capital. Applying labour instead of machine in laborious work, such as farming and housekeeping, can still be found largely in the studied countries. Balance should be found. The investment in this sort of human capital may possibly reduce the reliance on material production as well as stimulate the enhancement of human capability.

Introduction

By saying people-centered capital, I do not mean a slave-based economy. Instead, it is an economy that exercises human capability. Production may differ due to different quantity as well as quality of capital. Capital is important not only to what consumers may access but also to what labors may encounter. People-centered capital here refers to both human capital and social capital. It echoes a few implications drawn from the recent de-growth debate, namely traditional skills, self-sufficiency, volunteering work and communal life style.

A study of economics as if people mattered' is the subtitle of E.F. Schumacher's famous book 'Small is Beautiful' published forty years ago (1973). He suggests localized instead of general development. Being people-centered is no new concept. However, mainstream economics, as well as development practices, has long focused on materials such as physical capital and consumption product. Facing tradeoff between keeping farmers' livelihood and generating high revenue for industries, decision-makers often opt for the latter.

The late Pakistani economist Mahbub ul Haq makes an attempt to bring the people-centered concept closer to decision-making. He originated the Human Development Index (HDI), launched annually by UNDP since 1990, with the explicit purpose "to shift the focus of development economics from national income accounting to people-centered policies" (ul Haq 1995). In spite of the success of HDI over the past twenty some years, the income-centered philosophy still dominates the field of development economics. Nevertheless, HDI incorporates merely the aggregate health and education levels of individuals in addition to income. How human connection affects development is ignored.

This article employs capital method to analyze the interaction and relationship among human capital, social capital and physical capital on development. Data comes from interviews of people from seven low income Asian countries, namely Mongolia, Kyrgyzstan, Tajikistan, Bhutan, Indonesia, Vietnam, and the

Philippines. The interviewees have lived in the Netherlands for study or/and for work for at least one and a half years. Seventeen semi-structured and open-ended interviews had been conducted from March 2010 to November 2011. In the case of Indonesia, four group interviews and two individual interviews were conducted. Only one interview was conducted in the case of Bhutan. Two interviews each were conducted regarding other five countries. The age of the interviewees ranges from twenties to forties.

The interviewees were selected based on purposive sampling and snowballing. They all finished their high school, undergraduate or graduate degree and came to the Netherlands for tertiary education or/and for work. Their experience of living in the Netherlands serves as a common ground for cross-country comparison. The interview lasted on average one hour and three quarters. All interviewees are given fictitious names in this article. The interview result provides examples and illumination rather than conclusive tests of the identified elements which contribute to life expectancy, literacy and life satisfaction. Methods Capital connects present and the next periods of time, including current and future generations. Inter-temporal effects will only occur if there is means to transfer the impact over time.

Capital stock is one of the major means. In order to analyze how capital works in the context of sustainability, this article adopts the capital method. The four capital method, which is more often employed, incorporates stocks of physical capital ('manufactured capital', 'produced capital' or 'man-made capital'), human capital, social capital and natural capital (Ekins 1992; United Nations et al.2003; Ekins et al. 2008). To focus on human related capital, this article leaves natural capital out of the analysis. The main capital referred in the conventional development theory, physical capital, remains in the analysis. There is also five capital method in which financial capital is included (Bebbington 1999; United Nations 2008). However, financial capital could be left out in national wealth accounting. For every asset, there exists somewhere else a liability of an exactly offsetting size.

Chang (2013a) suggests that capital method offers a basis for understanding that development can possibly be managed through investment in specific capital stocks. Furthermore, like in neoclassical growth theory, it provides a framework that explains why spending income on investment rather than current consumption is likely to enhance well-being in the future. Thirdly, it allows us to consider the relation among different types of capital. Discussion Social capital and human capital are no new factors for development (Coleman 1990; Bezemer et al.2004). However, they are often studied separately.

Piazza-Georgi (2002) addresses the interdependence and substitutability between the two types of capital. The operation of social capital to a significant extent requires human capital, while an increase in human capital implies a possibly increased cost of socialization. How human capital and social capital complement physical capital in production is well recognized. Nevertheless, how they substitute physical capital in welfare improvement remains largely unanswered. Chang (2013b) compiles the identified elements in the three studied aspects into one diagram 'Roles of Capital in Welfare Attainment'. Nevertheless, the attempted synthesis does not explain much on interlinks between the types of capital identified. This article further explores interlinks among three sorts of capital.

First of all, skill-learning does not stand alone. It could benefit from social network, norms and values that encourage learning. In the studied countries, traditional skills and knowledge are largely passed via social networks, mainly within kinship. Pursuing education in a low income economy is encouraged by the attitude of parents, the belief in education as a ladder to betterment, and religious belief.

The finding of social capital's influence on the formation of human capital coincides with Coleman (1988) which suggests social capital among parents and that between parents and children are influential to forming human capital of children. Similarly, Dowla (2006) shows how microfinance successfully correct the failure of the credit market for the very low income people in Bangladesh is also embedded in the trust between bank staff and borrowers, and the information-sharing between borrowers.

On the other hand, the formation of family bonds is embedded in family education. The latter includes the norms and skills that facilitate the care-taking of other family members. Like other forms and values, it

takes time to develop in a society. The idea of cutting social care budget and hoping family and friends would take over the responsibility seems naïve in some social welfare state like the Netherlands.

Certain type of physical capital is essential to enhance human capital. Basic educational facilities facilitate schooling while basic medical facilities contribute to the duration of exercising human capital. Applying labor instead of machine in laborious work, such as farming and housekeeping, can still be found largely in the studied countries. Balance should be found. The investment in this sort of human capital may possibly reduce the reliance on material production as well as stimulate the enhancement of human capability.

Studies on governmental finance as well as operation of economies have revealed the unsustainability of the dependency on physical capital and on financial capital. This article makes a preliminary attempt to identify links among human capital, social capital and physical capital. Data comes from only seven low income Asian countries. Nevertheless, further study covering other cases may help outline other links among the three types of capital and understand better use of human-centered capital in development.

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The rise of East and Southeast Asians tourists in Europe: the case of Vienna

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Abstract

Travelers from Asia have become a potential alternative for some of the traditional European tourist markets that have stagnated due to the economic crisis. The remarkable recovery of the Japanese market, the exponential growth of Chinese and Korean markets in addition to the high spending power of Thai and Chinese tourists have painted a highly positive scenario for the tourism industry in Vienna. This paper utilizes Vienna as a case study to explore the rise of Asian tourists in Europe. Tourism statistics, media reports and materials of destination marketing organization were analyzed for evaluation of the trends and growth of Asian outbound market to Vienna. The current study contributes to the tourism industry of Austria by highlighting the fragmentations in tourist consumption patterns of tourists from East and Southeast Asia.

Introduction

Tourism is an important economic sector in Austria. Despite the economic crisis of the Eurozone, Austria witnesses a constant increase in the number of tourist arrivals from 33,4 million in 2010 to 34.6 million in 2011 and 36.2 million in 2012 (Statistik Austria, 2013) with an annual growth rate of 4 to 5%. The direct contribution of travel and tourism to Austria's GDP was EUR 14.5bn (4.8%) in 2011 with an expectation of EUR 19.6bn (5.4%) in 2022 (WTTC, 2012). Austria has remained in the world top five destinations with regard to the best tourism infrastructures during the last five years (World Economic Forum, 2012).

Tourist arrivals from the Asia Pacific account for 21.8% of the market share in 2011 (Statistik Austria, 2012) and reveal an impressive growth rate of 12,6% in 2010 – 2011, which is nearly triple the average rate of 4.5% of the traditional tourist arrivals from Europe. The Asian market is becoming increasingly important for Austrian tourism in general and Vienna in particular, especially in the context of the ongoing economic crisis.

Being the capital of Austria, Vienna is a major tourist destination with 5.5 million international arrivals in 2011 contributing approximately 3% to the GDP of the city (Statistik Austria, 2012). The East and Southeast Asian market is highly valuable for Vienna tourism due to its impressive growth of 26% in 2011 (Statistik Austria, 2012). Moreover, tourists from Thailand (676 Euro/purchase) and China (606) clearly represent over-average spending patterns. Thus Asian travelers can change the face of Vienna tourism regarding both, the dramatic growth and the impressive purchasing power.

The increasing numbers as well as the purchasing power of Asian tourists show that tourism ceased to be a primarily western phenomenon (Cohen & Cohen 2012), which thus calls for more attention to research the attractiveness of Vienna to tourists from Asia. However, there are only few studies about Asian tourists in Europe. This research, therefore, aims at identifying the appeal of Vienna to East and Southeast Asian tourists and consequently, for reorienting the Vienna Tourism Board to accommodate Asian perspectives in the destination promotion campaign.

Theoretical foundation: Underpinned by the theory of tourism systems, this study utilizes a holistic approach to investigate the Asian travel phenomenon. Generally, Leiper's (1979, 1990, 2004) system approach views and understands destinations, generating areas, transit zones, the environment and flows within the context of a wider tourist system rather than seeing them as separate independent identities. This research focuses on examining three elements of the system: the destination region (Vienna), the generating region (East and Southeast Asia) and the tourists (Asian tourists).

The destination identified for this study is the city of Vienna, an urban setting which offers a variety of cultural attractions for tourists. Two important considerations concerning the destination are first the physical and psychological elements of the destination and second the image and promotion of the destination (Holloway, 2009). Aware of the importance of image in selling destinations, many countries have embarked on a process of image creation, with advertisements incorporating quickly communicated slogans and logos as a means of conveying the destination's properties to intending tourists. A destination marketing organization (DMO) is responsible for destination promotion by leading promotional campaigns (Buhalis 2000).

In the context of this study, the generating region for Vienna is confined to "Asia" referring to East- (Japan, China, South Korea) and Southeast Asia which together have a population of nearly two billion people and is home to the world important economies, Japan and China. According to WTTC (2011) forecast, by the year 2020, one of every three visitors to Europe will be East Asian. Rising household incomes in emerging economies in Asia generate a growing middle class which fuels increased demand for international travel. The selected region is justified by its economic importance to the destination.

The tourist is the key player in the tourism system (Leiper, 2004). Asian tourists in this study represent the essential element linking the destination and the generating region in the system. Attractions of a destination are tangible and intangible and greatly depend on how their images are perceived by potential tourists. However, the way the tourists perceive and interpret the image of promoted destinations is greatly influenced by their socio-cultural background. An analysis of the diversity of the sub-segments of the market which reflects the socio-cultural background of each country in the region is therefore crucial.

Destination marketing organizations (DMOs) often yield at promoting special aspects of the destination without considering special needs and perceptions of the diverse demand sides. This paper provides a more comprehensive approach for analyzing the emergence of Asian travelers in Vienna by integrating three elements of the tourism system for analyzing the appeal of Vienna to Asian markets.

Methodology

The current research has employed case study method. Vienna has been selected as the main unit of analysis because it is the capital city and the most popular destination for Asian tourists in Austria, as well as a leading travel destination in Europe. Yin (2009) indicates that the case study is an empirical inquiry investigating a contemporary phenomenon in-depth and within its real-life context. Case studies typically are based on a range of data sources, such as documentation, archival records, interviews, direct observation, participant observation and physical artifacts.

The data for the case study were drawn from secondary sources such as documentation (DMOs' materials, media reports and literature) and archival records (tourism statistics). For the archival records, the current study used time series methods to observe the trends of Asian tourist arrivals to Vienna in ten years. In addition, reports, literature, promotional materials aid in overall interpretation of the statistical analysis.

Results and Discussion

Being the capital of Austria, Vienna is a major tourist destination. The East and Southeast Asian market is highly valuable for Vienna tourism due to its impressive growth of 26% in 2011 (See Figure 1). The largest share of Asian travelers (28.4%) came from Japan, one of the top ten markets for Vienna tourism (Statistik Austria, 2013). The number of arrivals from Japan has reached 147.161 in 2012 experiencing the greatest growths (11.7%) in the last ten years.



Source: Vienna Tourist Board 2013

The number of tourist arrivals from China has experienced exponential growth from 15.5% (2008 – 2009) and 27.6% (2009 – 2010) to 32.2% (2010 – 2011) and 39.5% (2011-2012), reaching 114,454 tourists in 2011 (Statistik Austria, 2013).

It is predicted that very soon the Chinese will surpass the Japanese as most important Asian source market. Moreover, since 2012 the Chinese became the world’s biggest spending tourists using 102bn US Dollar, outstripping travelers from Germany and the United States (World Tourism Organization, 2013). Hence, the Chinese are the world champions in terms of number and spending.

Leading the relative rise of the Asian market, South Korea records the highest ever growth rate by 58.5% in 2010-2011 and further adding 21.8% increase in the number of arrivals in Vienna in 2011 – 2012. Similarly, Southeast Asian markets grew at the pace of 10% since 2008, heading 33% in 2010 – 2011 with 44,205 travelers in 2012. The purchasing power of the Asian market is also surprisingly high. The two biggest spenders per purchase are tourists from Thailand (676 Euro/purchase) and China (606) while tourists from Switzerland in contrast only spend 223 Euro per purchase according to a report by Global Blue (ORF 2012).

The dramatic recovery of the Japanese market, the exponential growth of Chinese and Korean markets in addition to the high spending power of the Southeast Asian have drawn a highly positive scenario for the tourism industry in Vienna in the context of the European crisis. For mature and well developed markets, such as the Austrian, it is important to stronger address new target groups (Pikkemaat 2004). Asian, especially Chinese tourists will continue to travel to main tourism destinations but they develop increasingly higher expectations of being treated according to their preferences (Arlt 2006).

The East and Southeast Asian tourists are not unanimous. There is great diversity among the market segments attributed to the stage of economic developments and liberalization of outbound travel in the respective countries (Bui, Wilkins & Lee 2013). Japan outbound travel has liberated since 1963, followed by South Korea in 1988 and China in the late 1990s. The structure and organization of Asian outbound travel industry is diverse. Japans market is termed unique (Imainishi, 2010) being mainly driven by senior travelers (50+) (Japan Tourism Marketing, 2006). Furthermore, the dynamics of growth of Chinese market in the booming period has to be addressed as early as possible.

Vienna is Austria’s top tourist destination featuring many tangible and intangible attractions. In the last decade, the city promoted the “five Viennas” as unique selling proposition as the core of its marketing

strategy (Schlögl 2011, p.159). These five pillars are structured as (1) world city of music and art, (2) imperial city, (3) city of gourmets, (4) green and sporty Vienna and finally (5) conference city. Important considerations concerning a tourist destination are physical and psychological elements and the image and promotion of the destination (Holloway 2009).

The viability of a destination depends on both tourists and stakeholders of the destination (Leiper 1990). For example, Vienna holds an iconic image of the city of classical music as one of the few recent surveys on Japanese tourists confirms. 79% of visitors from Japan visit a classical music event while only 28% of all other international markets follow this activity (Manova 2008, p.19). For Chinese tourists, typical travels in Europe consist of coach tours which often include intra-European flights in order to be able to visit several European countries and cities (Arlt 2006). Vienna is often part of these European package tours.

In the city (and province) Vienna the *Wiener Tourismusverband* (Vienna Tourist Board) is the official DMO. It is thus responsible for all matters related to tourism such as measures to increase the volume of incoming tourism, advertisement and support of any tourism measures instigated by the municipality. Moreover, the DMO supports the creation of a modern infrastructure for the tourist industry and promotes an understanding of the general public for the industry and its economic significance (Vienna Tourist Board 2013b). This not-profit organization is carrying out its destination marketing in close cooperation with Vienna's tourism industry.

The information on the website of Vienna Tourist Board is available in 13 different languages including Japanese and Chinese (mandarin). To support the tourism industry, the website focusing on business to business marketing, provides basic market data sheets about the source markets of the region Southeast Asia as well as country profiles for China, Japan and South Korea. This information is published in German and limited to indicators such as preferred accommodation by category, seasonality and visitor numbers of the last 15 – 20 years. The Asian tourist profiles published on the website are limited as they only provide a more detailed overview of the guest structure, the travel behavior and guests' satisfaction of the Japanese (Manova 2008) but not of other Asian markets.

Until recently, Japanese market has long been considered a major segment from Asia. Therefore, the services, facilities and system for tourism have mainly designed to cater the need of this market. Due to earlier economic development compared to other Asian markets and due to socio-cultural distinctiveness, the assumption of Japanese representing the whole Asian market has been widely recognized. While the significant growth of Chinese, Korean and Southeast Asian markets has been noticed, there has not been much effort to understand and satisfy the needs of these emerging segments. The negligence of the diversity of Asian markets might significantly hinder the appeal of the destination. In addition, the misconception in representing Asian tourists by Japanese would lead to mistakes in product design and destination promotion.

Conclusion

This study analyses the trend and diversity of Asian tourists and the appeal of Vienna to Asian tourists within a framework of tourism system. The results reveal the fragmentation and diversity of the Asian market. Therefore, it challenges the conventional approach of viewing the Asian market as a homogenous one. The ongoing growth and complexity of Asian tourism demands to tailor the aspects of the destination to different needs of diverse tourist segments from Asia.

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Community-based sustainable tourism in mangrove forests: case studies from Puerto Princesa City of Island Palawan, Philippines

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Abstract

The city of Puerto Princesa in the Island Palawan of Philippines is known as the “City in the Forest”. The city’s Mayor Edward Hagedorn initiated several projects to accomplish his vision of “To see Puerto Princesa as model city in sustainable development.” The objective of this study is to identify how community based sustainable tourism (CBST) is conducted in mangrove forests and its contribution to sustainable development. Both qualitative and quantitative approaches are being used as a mixed methodology. Mostly primary and sometimes secondary data was gathered through interviews, case studies, observation, photography, focus groups, and surveys. During informal discussions notes were taken. Photography was used as a method to document qualitative information. Participatory research methods were used throughout the study while observations and video recording were used to document findings. Three types of case studies were selected as follows: “San Carlos Floating Restaurant”, “Sabang Mangrove Paddleboat Tour” and “Firefly watch in Iwahig mangrove forest”, and discussed as CBST case studies. Apart from these attractions, annually conducting "Love Affair with Nature" Mangrove plantation project is also discussed in brief. There was a study conducted by the PCSD in 2005 that shows the current mangrove cover in Puerto Princesa at 5,896 hectares and 4,052 hectares in 1992. Community-based mangrove forest management in association with sustainable tourism shows ingredients of sustainability such as government involvement, necessary law enforcement, political will, proper leadership, community involvement, alternative livelihoods, education campaign, involvement of all local and national organization and willingness of local communities.

Introduction

Puerto Princesa city in the country is known as the “City in the Forest”. This honor is mainly gained through the initiated projects of former mayor Edward Hagedorn. He initiated these to accomplish his vision “To see Puerto Princesa as model city in sustainable development.” All these projects are given high emphasis to develop community capacity while protecting the environment. Puerto Princesa covers a land area of 253,982 hectares with a forest cover of 73% and a population of 225,955 (2010). Not only the local community is keen about alternative livelihood opportunities and much aware about sustainable tourism potential to the city, it is fully committed to protect its own environment. Due to true efforts of the community and reliable leadership, Puerto Princesa city has been declared as the first Carbon Neutral city of ASEAN. Puerto Princesa is not only carbon neutral, but also a significantly carbon negative city in Philippines.

Methodology

In this study both qualitative and quantitative approaches are used as a mixed methodology. Mostly primary and sometimes secondary data was gathered through interviews, case studies, observation, photography, focus groups, and surveys. During informal discussions notes were taken. Photography was used as a method to document qualitative information. Participatory research methods were used throughout the study while observations and video recording used to document findings. Three types of case studies being selected are as follows:

San Carlos Floating Restaurant: San Carlos floating restaurant is a recently initiated project in 2012 and

about 30 community members actively participate in this project. In average they earn about 150 pesos per day. They involve traditional dance performers, boatmen and tour guides. Tourists can enjoy buffet lunch with seafood on the boat while enjoying the surrounding mangrove distributed in 372 hectares. Soon they will start crab-fattening projects with the support of the city agricultural office as another alternative income generation activity.

Sabang Mangrove Paddleboat Tour: The Sabang mangrove paddleboat tour is a fascinating attraction of Palawan initiated in 2002. Tour guides work as the boatmen at the same time, receive 15 day training and every one of them can communicate in English. In 2009, 10,000 tourists enjoyed paddleboat tour and in 2010 the number increased up to 15,000. During the boat tour, the guides provide various pieces of information about mangroves and show their various types. Visitors can enjoy wild life sounds of birds and can see snakes in the branches of mangroves. After the boat tour ends the visitors are welcome to plant mangrove trees as a memory to leave in Sabang. In the fallen branches of mangrove a worm can be found called ‘Tamilo’. The tourist can donate and are allowed to try this very healthy local delicacy dipped in lime juice.

Firefly watch in Iwahig mangrove forest: This project was initiated by ABS-CBN investing money and implemented together with the city government. This project was started in 2008 and in average 20 people from the local community worked per night. There are 137 members of ICETA (Iwahig Community Ecotourism Association) involved in this project. Most mangroves are here for so many years and cannot be cut down or harvested for any business. During the daytime and during the off-season, boatmen and local community gather together and plant mangroves near the river. In the year 2010 there was a record of 7032 visitors. The safety is guaranteed and the boatmen are well trained as lifeguards in any case of an emergency situation. Safety jackets are used and visitors can conduct small workshops or information sharing meetings using the poster presentation at the sight.

Apart from these tourist attractions, annual "Love Affair with Nature" Mangrove plantation project is conducted on February 14. As an attraction a Mass wedding was introduced and planting a mangrove seedling is the first thing that every couple does soon after their marriage. This project is legalized to institutionalize “Love Affair with Nature Day” and to expand Valentine’s Day expression of love from traditional person-to-person to Mother Nature as a continuing call to ensure the protection and sustainable use of natural resources.

Discussion

There was a study conducted by the PCSD in 2005 with the support of JAFTA, which is the most reliable updated data available to evaluate the mangrove forest cover in Puerto Princesa. This study shows the current mangrove cover in Puerto Princesa, which is 5,896.40 hectares but was 4,052 hectares in 1992. It is clearly visible that the cover of mangrove forest in Puerto Princesa has been increasing during last two decades.

There is a positive growth of mangroves in the province of Palawan as well as in the city of Puerto Princesa. It was just 29,910.14 hectares in 1992 and gained up to 57,386.52 hectares by the year 2005 in Palawan province. All these planted areas were placed under protected status to form part of the Integrated Protected Area System (IPAS). There is clear evidence that mangrove forests cover in the world is declining. In the Philippines, this decline rate is huge in the past few decades. But in Palawan, there is one example that shows different trends against the usual global trend.

Community based mangrove forest management in association with sustainable tourism shows ingredients of sustainability such as government involvement, necessary law enforcement, political will, proper leadership, community involvement, alternative livelihoods, education campaign, the involvement of all local and national organization and willingness of local communities. These are needed to change this trend of degradation of mangroves in to rehabilitation. Every citizen of the Puerto Princesa is proud to be

environmentally sound citizens. They strongly believe that more mangroves will be a habitat for more fish and fireflies and that will result in more visitors and increased income.

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Asian communities and rural tourism: a comparative study of Japan and Thailand

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Abstract

Community-based tourism is built upon the conviction that tourism can be a tool for community development. Efforts of tourism contributing to the development of local areas have been concentrated on making attractions and resources of one's community destination recognized. As such, community cooperation is a significant accelerator playing an important role by leading the community to its ultimate goals. This paper explores community-based tourism development in small villages in Japan and Thailand, based on an empirical investigation, 2 large bodies of literature drawn from the responses of Japanese tourists and owners of guesthouses in Shunran no sato village, Japan and in Kho Kret, Thailand which is well-known for OTOP. A comparative study is done with the aim of exploring the notion of community cooperation and how it is related to customer satisfaction. Variables such as tourist's satisfaction, willingness to recommend and revisit are tested. The results of the study suggest that the cooperation of community plays a vital role in both cases. The study outcome illustrates unique community cooperation characteristics in both destinations due to different cultural backgrounds. Both cultures could benefit from each other. The concept of sufficient economy from Thailand is beneficial to Japan. On the other hand, the Japanese community's unity would be an improvement for OTOP. In addition, developing the destination's brand image and services were found to be critical for tourism marketers in the context of global tourism competition.

Introduction

Tourism and travel is now considered one of the world's largest industries; the UWTO's (United Nations World Tourism Organization) Tourism 2020 Vision forecasts that international arrivals are expected to reach nearly 1.6 billion by the year 2020. For tourism to contribute to the development of local level and national level, the attractions and resources must be recognized and accepted both locally and internationally.

In addition, community cooperation is also a significant accelerator leading to the ultimate goals of the community. According to Labonate and Laverack (2001), community capacity building is defined as "*... a more generic increase in community groups' abilities to define, access, analyze and act on health (or any other) concerns of importance to their members.*"

According to Cooper et al., (2004), capacity is '*power of containing, receiving, experiencing, or producing*' (Oxford Dictionary, Page, 147) and Building: '*construct by putting parts or materials together*'... '*gradually establish itself*' (Oxford Dictionary, page 129). This conjunction of terms conveys 'capacity' as a generative and productive process and 'building' as a process of construction and assembly out of which an entity or 'thing' emerges. Further implied is a need for a 'container' or base and the materials and means for assembling parts together (Verity, 2007).

The destination marketing plan is another factor acting as a stimulator for destinations to completely accomplish goals. As competition continues to go forward and globalize, achieving competitive advantages is very important for tourism destinations. According to Cracolici and Nijkamp (2008) "*destinations have to face the challenge of managing and organizing their scarce resources efficiently in order to supply a holiday experience that must outperform alternative, destination experiences on the tourist market*" (p. 338). From a marketing view, as tourism destinations compete for visitors, it is important to apply a competitive strategy to gain new customers and keep current ones. That should be the focus point.

The 3 main issues of tourism, community cooperation and destination marketing are in perfect combination if all can develop together as in Shurannosato, a village in Japan and the 'one Tambon one

village' OTOP destinations in Thailand. Shunrannosato is a small village located in Noto peninsular Ishikawa prefecture, Kanazawa city, Japan. Many young Japanese are leaving their hometowns to pursue life in more metropolitan areas. This has left the older farming generations wondering how to get young people to return to the farm. Up in the Noto Peninsula, Shunran-no-Sato (春蘭の里) has found a way to get young people back to the farms via eco-tourism. This endeavor has encouraged villagers to convert their own homes into guesthouses for travelers who come to the village to take part in traditional agricultural activities.

They offer many green tourism activities, for example, harvesting rice, planting trees, taking mushrooms, making charcoal and fishing. The activities are altered depending on 4 the seasons-view of Japan. Each guesthouse offers different activities from fishing to picking wild vegetables in the mountains. The owners and other people in the community serve tourists with impressive hospitality. They act as guides for the guests and help younger generations return to their agricultural roots. Thanks to the beauty of nature, Shunrannosato was a finalist in the BBC world challenge as one of the nominees of GIAHS, Globally Important Agricultural Heritage Systems. There are around 30 lodgings for tourists representing the unique charming of nature.

OTOP, 'one Tambon one product', is a product of the sufficiency economy way of thinking of King Bhumibol Adulyadej, the king of Thailand. OTOP was a development concept taken form OVOP, 'one village one product'. OVOP is a way of rethinking the possibilities for small, rural populations, introducing ways to re-brand what they already have in their own communities. It was originally founded in Oyama city, Oita prefecture, Kyushu, Japan. By applying the concept of OVOP and varying factors create suitable standards for Thailand, OTOP is mainly focused on poverty reduction via a set of private market activities of small to medium enterprises that operate in rural areas where individual incomes are relatively low. OTOP relies on private enterprises' successes to make the national public policy effective. OTOP is one of the excellent examples for bottom-up development. It helps from generating jobs for local people to the wealth of nation.

The main objective of this study is to explore effective strategies for sustainable tourism, and to help recognize the importance of community cooperation and how it is related to tourists' perception, and of service performance and tourists' satisfaction. The literature illustrated sets the context of investigating tourists' opinions and attitudes on perceptions toward the destination, satisfaction with its performance and likelihood of recommending and revisiting. The central parts of this study are destination attractions, resources and services that affect visitor's satisfaction, how to improve the quality of destination attractions and service. Then there are 2 cases studied by elaborately electing the effective strategies from one on another in order to make a more concrete plan for the future. This study may be important for marketing practice and future research on tourism development for Shunranosato and OTOP.

Methodology

In the empirical research, the investigation subjects included 20 tourists and 5 owners of guesthouses in Shunrannosato, Ishikawa, Kanazawa prefecture, Japan and 23 OTOP's consumers in Thailand. The investigation focused mainly on differences and similarities of the communities in community cooperation in Japan and Thailand and how it affect communities with sustainable tourism and destination marketing concepts as tools to pursuit and lead to its ultimate goals.

We used 2 methods to gather information, both secondary data and primary data. Field trips and internship were organized for collecting data in Japan. During this time, direct experience form local people, community corporation committee conference and many stories from tourists and owners of guesthouse were collected. Second, many literatures were reviewed. Basically, there were 2 types of surveys for tourists and owners in the Japan case study. There were 5 sets of questions designed for brand salience, brand quality, brand image, brand value and brand loyalty in Shunrannosato.

On the other hand, the survey designed for OTOP was in order to know which OTOP categories are fit with people lifestyles most and which ones are popular among people to be chosen as souvenirs. The ultimate aim was to get the exact answer corresponding with the hypotheses.

Discussion

Shunrannosato, the village in Japan: Although Shunrannosato uses orchids as their brand, it is not enough to attract tourists. Brand value and brand quality are in favorable conditions. However, brand salience and brand image should be brushed up by creating strong push and pull factors and utilizing them in practical ways. The brand salience definition refers to creating a brand to be recognized. Some possible methods are first of all, refer to core competencies, impressive phrases providing people some Shunrannosato images, for example: “Shunrannosato: Live Natural Life on earth”, “Back To Basics: Easy Life With Nature in Shunrannosato”. Secondly, a picture of the leaders of the village can be utilized for promotion along with Shunran activities, Shuran nou-girl, nou-boy styles, the fashion designed to attract teenagers. This is to help tourists remember and link with the information they have in their mind regarding Shunrannosato.

According the definition of brand image, it's to create something linking to a brand in consumers' memories. Basically, food served in Shunrannosato is from surrounding areas and is fresh and conveys the meaning of Shunrannosato to tourists and improves a healthy trend; so organic food concepts should be promoted. Food production in Shurannosato includes fish form nearby rivers, vegetables form their gardens, also ice cream and milk from dairy farms. Therefore, Shunrannosato shows high feasibility to make more attractive points as of an organic farm.

A pictorial activities calendar should be put into the pamphlets and website as well. Simply, this is to make people understand what Shunrannosato does and when activities will be held. Japan is an interesting country where many mascots are created in order to get tourist's attention. By utilizing this point, there is high possibility for Shunrannosato to make its own mascot. They can create aggressive and sustainable marketing and promotion plans.

The JNTO has helped with increasing the number of tourists. Some packages designed for this group of tourists should be started and implemented as soon as possible. This is because this target group is another potential group who can bring development with an interest in travel programs. Interesting and flexible schedules with food and activities 3 days 2 nights for backpackers can be made.

Cooperating with other villages and other well-known tourist spots can make a more budget friendly program with more places where tourists can visit safely. When the low season comes, the number of tourists usually decreases. In order to prevent the village form too much dependence on tourism, local people can adopt and adapt the ‘sufficiency philosophy’ and the new theory of integrated and sustainable agricultural system developed by His Majesty in the kingdom of Thailand.

OTOP (one Tambon one product) in Thailand: According to the hypothesis for OTOP, the quality of products is one of the main components of OTOP brand. Also there is a direct relation between the variety of products and brand loyalty and there is a direct relation between price and brand loyalty. Based on the findings about important factors for decision making for OTOP products, the best one is the variety of products, with a satisfaction level of 70%, followed by 25% for quality satisfaction and 4% for price satisfaction. So instead of quality of products, variety of products should be considered as the main component of OTOP brand.

To clarify the hypothesis that there is a direct relationship between community cooperation on tourism contributing to the development of tourism, findings on how the Thai community's cooperation influences OTOP project reveals that the first rank goes to 45% for gathering many ideas contributing to the OTOP project. The second one is 41.7% for building up community cooperation. The third one is 12% for

accelerating OTOP project. Therefore, Thai people strongly believe that community cooperation has a great impact on the development of tourism in 3 main aspects.

In order to improve OTOP, the author recommends 3 main strategies. First holding frequent meetings or conferences in order to gather ideas from local people to unify community and accelerate OTOP project. Second, by utilizing attractive points of marketing and promotion from Japan, each region of Thailand should have its mascot to represent uniqueness and characteristics of each region. Mascots should be labeled in the OTOP package. Third, after listing the important factors for decision making for OTOP products, the variety of products, quality and price were accordingly ranked. This implies that mix and match ideas has high possibility to be successful.

Promotion plan for individual and household: OTOP food products mix and match with OTOP crafts, for example, Kaolom's , the famous sweet in Thailand, packaging should be adjusted to make a more concise shape. Delicious Thai desserts can be utilized in cake decoration. The arrangement can be used for name, smile, wishes and messages.

Promotion plan for souvenirs: Creating mix and match packages for big national holidays such as mother day, father day, teacher day and children day. The product sets can be food and craft, craft and clothes and clothes and housing and health products. Creating value for Thai food and dessert for Thai people, especially teenagers, may also work. Positive attitude toward Thai food and Thai dessert should be spread by organizing local and international conferences or workshops. Questions and essays regarding Thai food and Thai dessert should be initiated with incentive reward. The winning will get some rewards relating to Thai food and desert, such as free airplane tickets to Hunhin beach, the famous tourist attractions in Thailand.

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A feasibility study on sustainable mountain tourism development in the Republic of Tajikistan

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Abstract

As one of the fastest growing industries in the world, tourism contributes 9% of direct, indirect and induced global GDP. Tourism shows its significance in economic as well as socio-cultural aspects like job creation, poverty alleviation, and environmental conservation, especially in under developed regions. This research focuses on mountain tourism development in Tajikistan, which is a mountainous country. Tourism industry in Tajikistan is still at an early stage. The research applied an interdisciplinary approach with updated information and data that show the obstacles on tourism growth as well as potentials for tourism development in Tajikistan. The data was obtained from the questionnaires collected from 46 people who were tourism experts and officers in Tajikistan. The result of the survey shows that although Tajikistan owns abundant natural as well as cultural resources for tourism, a lack of transportation and accommodation, under developed banking system and telecommunication technology, ineffective tourism promotion and guiding services, inconvenient visa systems as well as low internal and external security are the main restrictions on mountain tourism development in Tajikistan.

Introduction

The Republic of Tajikistan is the smallest country in Central Asia, bordering Kyrgyzstan and Uzbekistan to the north and west, China in the east, and Afghanistan in the south. Tajikistan is a mountainous country with 93% of territory covered by mountains and plateaus and approximately half of the country above an altitude of 3,000 meters (Travel to Tajikistan, n.d.). Glaciers, meadow, wildlife, lakes, and rivers comprise the mountain ecosystem of Tajikistan.

The major mountain system is made up by the highest mountain ranges from northeast to Tien-Shan Mountains, northwest to the Fann Mountains, south east to Pamir mountain system, covered by snow and ice, and southwest to Pamir, known as “Roof of the World”. The Peak of Communism is characterized as the highest mountain peak in Tajikistan rising to 7,495 meters and the Lenin Peak which is 7,134 meters as the second highest mountain in Pamir area. Besides, many beautiful valleys, glaciers and lakes comprise the mountain system that entices tourists to enjoy mountaineering, trekking as well as other mountain-based activities.

Tajikistan became an independent country in 1991 after the Soviet Union collapsed; however, immediately the whole country plunged into civil war which lasted for 5 years until 1997. Due to the war, a political and economic crisis happened and the nation-wide crisis held the economy down for many years. Compared with two other post Soviet Union countries of Uzbekistan and Kazakhstan, GDP of Tajikistan accounts for 6.5 billion US\$ which is only equal to 14.3% of Uzbekistan and 3.5% of Kazakhstan, yet annual GDP of Tajikistan tends to increase (World Bank, 2011). Due to a lack of work opportunities, most Tajik male labor forces are working abroad. One-seventh of its total population (7 million) is working out of the country, and the unemployed population represents 0.25 million in 2009 (World Bank, 2009).

Methodology

This research applied an interdisciplinary approach, which combined qualitative and quantitative research methods in order to get both primary and secondary data. As information specifically on mountain tourism in Tajikistan is little, a questionnaire was designed for this research. The data was obtained from questionnaires

collected from 46 people who are tourism experts in Tajikistan and officers in tourism section of the national government, and include officers from Committee for Youth, Sport and Tourism under the Government of the Republic of Tajikistan, private tourism companies, tourism major professors from the Technological University of Tajikistan, etc. Beside, individual interviews were conducted with officers in the Ministry of Economic Development and Trade of the Republic of Tajikistan as well in order to get more qualitative information.

The questionnaire was composed of 18 closed questions as well as open questions for free comments for those who would like to add more information not listed in the questionnaire. In order to obtain the opinion data, 18 questions were designed as scale questions, which asked the respondents how strongly they agree or disagree with a series of statements. The scale was divided into 5 levels: totally agree, agree, maybe, disagree and totally disagree.

In order to examine what are the main barriers that block mountain tourism development in Tajikistan, 18 questions were designed based on the research hypothesis, which shows five significant influencing factors in tourism development. Transportation, accommodation, telecommunication and banking system were the indicators to examine the condition of infrastructure in Tajikistan. Indicators of advertisement & promotion, guiding service and language examine the sufficiency of information. Policy and planning is examined by using indicators of national and regional-local plans, visa facilities, and international relations. The socio-cultural perspective includes local residents' attitude, security problems, cultural issues and religions. Natural and cultural-based attraction and a lack of interest and markets are indicators of insufficiency of tourism attraction as a barrier for mountain tourism development in Tajikistan.

Results and Discussion

Transportation: Transportation is an important factor of accessibility that connects tourists to tourism destinations. However, a lack of reliable tourism transportation in Tajikistan is one of the barriers in delivering tourists to destinations. As the survey shows, all of the 46 respondents totally agree that a lack of transportation is a barrier for mountain tourism development in Tajikistan. The current transportation systems were mainly built in Soviet era, and are already badly deteriorated due to lack of investment and maintenance (Federation research Division, 2007).

Accommodation: Hotels, hostel, homestay are some examples of accommodation which offer a place for tourists to stay overnight. In case of Tajikistan, accommodation services are poor and most of hotels are in its capital city Dushanbe; few homestay plans are provided in mountain zones. In the survey, all of the 46 respondents totally agree that Tajikistan is not well supplied with accommodation which restricts the development in mountain zones.

Telecommunications: In response to the question of "Lack of telecommunication is a barrier for mountain tourism development in Tajikistan", 40 out of 46 respondents totally agree or agree with it. Due to a lack of investment in post-Soviet era, the condition of telecommunications in Tajikistan is backward. According to data from World Bank in 2011, in terms of telephone 38,000 lines were in use; however, only around 5 lines were used for every 100 people. Russia in comparison had a similar condition in 1975 but in 2011, accounted for 31 lines per 100 people, and its neighboring country Kazakhstan reached 26 lines. The same condition exists for the Internet; 13 out of 100 people are Internet users, primarily in urban areas. However, Russia and Kazakhstan make up to 49 and 45 out of 100, respectively. There is a big gap in terms of telecommunications between Tajikistan and, Russia and Kazakhstan.

Banking system: Banking system plays a significant role in offering financial services. Investment, loan, deposits are services processed through the banking system. There were only 1 state bank (The national Bank of Tajikistan) and 4 foreign banks by 2011. In the survey result, 41 respondents totally agree and 5 agree that

banking system is under developed and restricts the mountain tourism development. Another indicator to show the banking system is undeveloped in Tajikistan is that foreign direct investment was negative from 2005 to 2011, except for 2010 when it was positive.

Advertisement and promotion: Advertisement and promotion get tourists interested in the destination before coming. Tourism is not the same as physical products like food and electrical equipment that can be exported from other country; customers have to move to the destination to get the services and the experience. Prebensen (2007) suggests that the destination brand consists of a mix of brand elements to identify and distinguish a destination through positive image building. A significant number (42) of respondents strongly agree that Tajikistan lacks promotion, which drags down its mountain tourism development. Tajikistan ranks 107th out of 140 countries in the world on effectiveness of marketing and branding to attract tourists. This shows that Tajikistan does not have a clear national brand to promote tourism. As the main characteristic, mountain can be considered as a tourism branding and through various promotion methods, it is necessary for Tajikistan to enhance its national identity to attract more tourists.

Guiding service: Based on the responses to the question of “lack of guiding service is a barrier for mountain tourism development in Tajikistan”, 45.66% hold a positive opinion but 45.6% answered maybe, and only 8.7% disagree. Guiding services are usually provided through travel agencies, and in the case of mountain tourism, local residents are those who know their land most; therefore, it is recommended to hire local people doing guide jobs. By this way, local people also will benefit from it.

Language Barrier: The official language in Tajikistan is Tajik, which is a dialect of Persian, and Russian is commonly used in business, trade and government. Referring to the result of the present survey, respondents show their different attitude on language problem. About 39.1% are neutral, 15.2% and 23.9% totally agree and agree, and 19.6% disagree that language is a barrier. Language problem is happening in any countries due to growth of the number of international tourists; however this problem may reduce the satisfaction of international tourists.

National and regional-local tourism plans: The result of questionnaire shows that 25 respondents disagree that Tajikistan lacks national plans and this accounts for the biggest proportion. Also 30 consider that Tajikistan has prepared regional-local plans. Strategic documents like “Concept of Tourism Development in the Republic of Tajikistan for 2009-2019” and the “State Tourism Development Program for 2010-2014” are adopted for sustainable tourism development in this country (the government of the republic of Tajikistan, 2012).

Visa: Tourists prefer to go to destinations that are easily accessed. Therefore tourists are concerned about the visa system as they are easily changing and it is difficult to obtain visas. Tajikistan owns significant potential to attract tourists by its diverse tourism resources, yet the visa and its unique permit system is one of the biggest barriers to hinder the development of tourism industry. As the result of the survey shows, the majority (33 out of 46) of respondents totally agrees or agrees that visa facilities are restricting tourists. Except for some CIS (Commonwealth of Independence State) countries like Russia, and Afghanistan, the majority of foreign citizens are required to apply for tourist visa to enter the country.

International relations: Tajikistan is neighbor to some unstable countries like Afghanistan, which may bring dangerous factors across the borders. Due to weak security, Tajikistan has almost no ability to make a stand against insurgent forces. Thus 38 respondents agree that international relations may bring negative impacts to tourism development in Tajikistan, and only 2 of them disagree. This is vital because it may affect the country’s image.

Local Residents’ attitudes toward tourism: The results of questionnaire show that 36 out of 46 respondents believe local residents welcome mountain tourism into their regions. Especially in remote mountain areas, local people are poor and eager on job opportunities. Tourism industry can create job opportunities, economic benefits as well as infrastructure upgrading, etc. However, 2 respondents do not agree and 8 of

them answer “maybe”, which shows that still some people are concerned about the negative effects like environmental pollution.

Security issues: For tourists, security of a country is the priority concern. The result of questionnaire shows that 19 respondents believe security issues have a negative impact on mountain tourism development, and 24 of them are standing in the middle. In Tajikistan, the security situation remains grim. Compared with 2009, criminal rate in 2010 increased 16%, and serious incidents rose 40% (Hu, 2011). As infrastructure in Tajikistan is outdated as well as the geographic reasons, road safety cannot be ensured and car accidents commonly occur.

Cultural problems: Most of respondents (35) do not believe that cultural problems exist in Tajikistan to restrict development of mountain tourism; this indicates few roles and traditions limit tourists’ actions. Although approximately 90% of the population is Muslim, Tajikistan government is trying to make legislations and policies to prevent Islamic radicalization. Tourists in Tajikistan will not be restricted by religion roles; however, tourists should respect local religion whether their religions are the same or not. In the survey, 35 respondents think that religion is not a problem during mountain tourism development, and only 4 people held opposite opinions.

Natural and cultural attraction: Plenty of natural resources are in this country like lakes, mountains, rivers, glaciers, etc. As the history of Tajikistan goes back to few thousand years, architecture, music, and festivals are abundant in Tajikistan that can be considered as cultural attractions. The survey results show that all of the respondents disagree or totally disagree that Tajikistan lacks natural attraction, as well as 43 out of 46 respondents answered negatively to the lack of cultural attraction.

Interest and market: Mountain tourism in Tajikistan is at an early stage, but it has the potential to expand its market. The number of skiers is 400 million worldwide (Laurent, 2011). Interest from mountain tourism could benefit both local people as they have more working opportunities and also tourists who gain authentic experience during travelling in mountains. Thus 31 respondents agree that mountain tourism is a potential interest and may expand its market. However without promotion or planning, Tajikistan would fail to attract tourists’ coming. That may be the reason why 12 people still have reservations.

Conclusion

Mountain areas in Tajikistan occupy 93% of its total territory. Abundant natural as well as cultural resources show a huge potential on tourism development, especially mountain tourism. However due to geographical, economic and social issues, tourism in Tajikistan is still in the early stage and a number of barriers block the path to development. As the result of survey shows the lack of transportation and accommodation, under developed banking system and telecommunication technology, ineffective tourism promotion and guiding service, inconvenient visa systems as well as low internal and external security are the main issues that need to be dealt with. The rich tourism resources increase the possibility of success on mountain tourism development, but applicable policies and planning is indispensable during tourism development process in order to minimize negative impacts.

Tourism can be seen as a significant alternative to create job opportunities. As Tajikistan owns a high rate of unemployment and oversea workers, mountain tourism development can generate jobs for local residents in Tajikistan. By this chance, women will be empowered and trained to be able to access to work opportunities. Besides, in any cases of ecotourism development studies, environmental issues are one of the main focuses. Climate change is a worldwide issue that influences mountain tourism directly, which may lead to glaciers melting and land degradation. Also waste is generated during tourism as another issue that needs more attention. Therefore it is important to utilize nature resources wisely when developing the tourism industry, and prepare plans and policies in advance to prevent these cases from happening.

Within a sustainable developing framework, tourism industry would provide a great number of opportunities for job creation, infrastructure improvement, and investment and funds attraction both for economic activities and environmental conservation, and finally it would benefit local residents affected with poverty. This research analyzes the main restrictions on mountain tourism development in Tajikistan, however it still needs more specific solutions to improve the current situation and solve the problems and issues.

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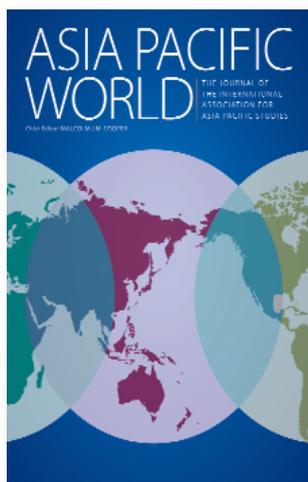
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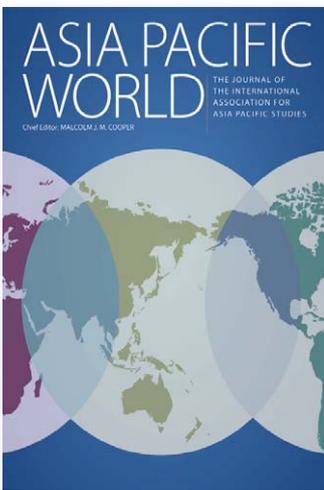
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