

Progress of the Transformation Process in Central European Countries

Shuichi Ikemoto

This study takes a comprehensive look at the distinctive characteristics, results, and issues challenging Central European countries, tracing the past 10 years of the transformation process to the present.

With strong support from the IMF, the World Bank, the EU and other entities, each of these countries adopted in the early stages of these system changes a radical reform program known as the “Washington Consensus,” which was market-oriented in its approach. However, within less than one year, this program, which was uniform in design and which disregarded the varying cultures, histories, and institutions of each of these nations, ultimately ended in failure for Russia, Poland, and others.

Consequently, economists, including Joseph Stiglitz (former Senior Vice President and Chief Economist of the World Bank), and international organizations have begun to examine alternative reform programs that emphasize the inherent and unique conditions of each country.

Given the above, the future issues to be faced during the transformation process are likely to be: (1) creating institutions on multiple levels; (2) reassessing the role of the state; (3) laying out a system of laws and regulations to ensure effectiveness; (4) developing labor markets; (5) reinforcing corporate governance; (6) adapting to globalization, including joining the EU; and (7) promoting exports.

State of Progress in Russia's Systemic Transitions: The Possibility of an End to Underinvestment

Hiroshi Takahashi

After the dissolution of the former Soviet Union in 1991, the amount of capital asset investments dropped dramatically, and investments in 1998 were a mere one-fifth of that of 1990. In conjunction with this, fixed capital for Russia suffered marked depreciation. Since Russia's financial crisis in 1998, the country has enjoyed economic growth, and investments are showing signs of recovery. However, despite investment growing 17.4 percent over that of the previous year, notable improvement in depreciation has yet to be seen.

However, rather than suggest that Russia's savings are small, it shows that they are in fact large by world standards. Russia is one of the few transitional countries to post gains—and with a substantial absolute amount. Yet, while Russia does have significant savings, capital flight has become commonplace, preventing savings from tying into capital asset investments.

Characteristic of capital flight from Russia when compared with that of other countries is that it is included amongst net errors and omissions of Russia's balance of payments. Also characteristic is capital flight using credits and advances. Estimating the amount of capital flight from these balance-of-payment entries using reliable data yields an amount of approximately \$20 billion annually for the latter half of the 1990s.

In 2000, Russia appointed Vladimir Putin as its new president and recorded rapid growth with an increase of 8.3 percent in its GDP. The investment climate began to improve owing to the implementation of tax reforms and other policies, resulting in a moderate decrease in capital flight. Yet, with increases in capital exporting and similar non-capital flight transactions taking place, savings remain fettered from translating into domestic investment. Improvement in the investment climate continues to be insufficient, and failure to improve the financial system constitutes one major problem impeding progress. Various issues must be confronted before Russia can enjoy any real recovery in investing.

Progress in Transition toward a Market Economy in Russia: A View from the Budget Reform and the Financial Sector Development

Fumikazu Sugiura

While Russia appeared to have achieved “macro-economic stability” superficially from the spring of 1995 to the “August Crisis” in 1998, it had never been able to overcome a continuing decline in production. However, since the August Crisis, Russia has succeeded in recording 3 years of consecutive growth in GDP. This study attempts to clarify this stormy course of Russia’s transition to a market economy while focusing on changes in the roles of the fiscal policy and the financial sector development. It also points out that although the IMF, World Bank, and other international institutions have tremendous influence over Russia’s economic policy, their theories of liberalizing financial and capital transaction, on which their economic policies are primarily based, have not yielded the favorable results theoretically anticipated. Lending rates in Russia have never lowered enough to satisfy the demand from the real sector owing to the presence of the high-yield GKO (government short-term bonds) market, absorbing much needed private liquidity, causing a severe credit crunch and resulting in a classical case of “crowding out.”

Consequently, the policies that tighten finance and state spending, which should lead to macro-economic stabilization and a drop in inflation rates and then lead to a reduction in interest rates on loans and an increase in bank lending and investment, ultimately ending in economic growth, have never materialized. In fact the corporate sector has lost its connection to the financial sector and the lack of its liquidity has had the negative effect of causing cutbacks in production activities and chased economic activity into the dismal abyss of “non-monetary transactions.” This suggests that while state spending, which had played a major role under the old planned economy, became too suddenly and too drastically reduced in scale under the auspices of shrinking the government’s deficit, the financial sector, which ought to play a major role in market economics, failed to function adequately owing to the tremendous time required to set up the relevant infrastructure needed.

Though the Russian government has been able to improve its fiscal stance since the August Crisis of 1998, the core strategies of the Putin administration on economic policies is essentially no different from the country’s conventional path of cutting expenditure. On the other hand, while Russia must strengthen the role of the banking sector within the financial sector, at present, even erasing the traces of the loss posted during 1998’s financial crisis seems beyond her reach. Since forming the complicated infrastructure of a financial market takes time, the concept of policy mix between fiscal and financial policies would seem pertinent.

Preface to the Theoretical Systematization of the Modern Service Economy: Issues and Methodology

Shigeo Saito

Some 15 years have elapsed since this paper's author published in 1986 "A Theoretical System of Services," an essay on the theoretical systemization of the modern service economy. Since then he has regularly revisited that essay—to refine and amplify it—and, upon pinpointing the ultimate issues, has wrestled with each of them. This paper, which is based on results during that 15-year interval, is the outcome of having verified the individual questions and methodology among the ultimate issues.

First, the greatest of the ultimate issues is grasping the role that the modern service industry plays in the development of modern capitalism. We can delve into this by looking at what Marx foresaw in the mid-19th century for Britain's capitalist economy, which was the most developed economy at that time. Drawing on his theory of capital accumulation, he predicted that the laws of history would prevail and that, in keeping with the history of human civilization itself, a return to private ownership would occur. However, reality diverged from his prediction. One reason for this can be found in the subsequent development of the service industry, which had not yet evolved at the time of Marx's forecast. This point is the perspective from which this paper is written, and it is also a verifiable issue.

To explain further, the service industry developed on the foundation of the growth of material production. It has undergone a process of cumulative development that occurred as a reaction to that underlying material production, for the service industry came into being when the labor force's qualitative development resulted in the formation of a complex labor force. The qualitative development of the labor force is at the same time a process of the individualized formation of workers. This leads to awareness, albeit belatedly, of hidden contradictions in the process of the development of capitalism, particularly its fundamental contradiction—the brutal "law of the jungle," which is expressed as the supremacy of competition—and there is consequently a need for something to operate as an eradivative force. This is the democratic process at work within an economy, and the optimal scenario for the future ought to be explored.

Second, a methodology—a procedure and a fundamental perspective—is absolutely essential for the theoretical systemization of the service economy. No proper methodology exists, however, thereby necessitating the verification of the existing methodologies and their modes of applicability.

The procedure for this study is to isolate latent generalities found within complex realities and then revisit reality on that basis. This is a point that deserves particular attention in light of the fact that most of the controversy concerning the concept of service is confined to the issue of service commodities.

The study's fundamental perspective is to take a two-pronged approach to actual service and in due course consider service as a form of production. Additionally, re-examination of the points that are presently in dispute in the controversy concerning actual service—the formation of value by labor in the service industry and the concept of service—suggests that the original rules of productive labor should be re-examined. There needs to be confirmation of the fact that the proliferation of capital, which is found among special capitalistic rules for productive labor, is nothing more than just one perspective and of the fact that another perspective therefore exists.

In actuality, for verification of the nature of service in particular, it is important to treat it as something that will become a force for change and not merely as a reflection of reality. Therein also lies the significance of designating democratization of the economy as an issue.

Changes in and the Nature of Information in an Information Society

Aki Aneha

According to the Ministry of Public Management, Home Affairs, Posts and Telecommunications, the number of Internet users in Japan reached 47.08 million people in 2000. As the country's prolonged recession continues, its business community and government remain hopeful that e-commerce will serve to stir up consumer demand, which is not recovering at all.

Meanwhile, it is said that the Internet and other elements of information technology (IT) are fundamentally revolutionizing the way we live, with an emphasis on how IT is making our lives more convenient. But is the Internet truly able to serve as a system that will solve the many problems that we have been experiencing?

This paper presents an examination from two angles of how the Internet and the information it contains are related to actual problems. First, the author explored how Internet information is affecting production, distribution, and consumption. Second, from the standpoint that information is produced when circumstances dictate a need for it, she investigated how such Internet information is connected to problems that already exist in Japan.

Looking at the realm of production, the author shows that business-to-business e-commerce is increasing the scale of the market particularly in manufacturing circles, where a hollowing-out process is in progress. Turning to the sphere of distribution, she notes that, with manufacturers moving away from such activities and a realignment now in progress in this area, the distribution industry itself is creating intra-industry information networks in an effort to survive.

The author has also investigated the status of online shopping. Expectations of its potential reached nearly excessive heights, even in Japan, upon the debut of "e-Christmas" in the United States in 1998. According to the author's findings, it is clear that in reality only some large-scale online businesses are recording sizeable gains, while most small-scale ones are not turning a profit.

The author's additional arguments include her contention that Web-based advertising and online shopping, which entrepreneurs and small-business proprietors regarded with inflated anticipation, have yielded only limited results, and that the outcome has not always been linked to consumers' interests. This very same point can be made with respect to local-government IT initiatives being promoted by the central government. For example, a comparison of Web sites operated by individual local governments clearly reveals that, no matter how equipped government authorities are with the means to provide citizens with information, the content of their sites reflects the stance of the dispensers of that information. The author also refers to the possibility that local governments,

which are supposed to provide services to the entire citizenry, may be excluding elderly people who do not have computers or Internet access.

The Internet usage rate is expected to continue to climb. In actuality, though, it is clear that IT and the Internet cannot resolve the various problems that already exist.

For Constructing a System on Health Services: Mainly on Economic Evaluation of Health Services

Hiroshi Osada

In recent years, studies on quality evaluation and economic evaluation of health-nursing services have been common in Japan. But, studies done enough by economical method are scarce. In this note we tried to explain economically health-nursing services, taking care to the differences between health-nursing services and other services or goods. In political economy, they have considered a commodity to have both of value in use (quality) and value in exchange (quantity). In this note we consider health-nursing services to be “fictional commodities” that are not evaluated by market. And we try to grasp both sides of value in use and value in exchange of health-nursing care. In economics or political economy, studies on the side of value in use of services or goods are scanty in comparison with studies on the side of value in exchange (price). In the field of health-nursing, studies on the side of value in exchange of health-nursing services (for example costs, fees, etc.) are scanty in comparison with studies on the side of value in use (as Quality Evaluation). The aim of this note is to fill up the gap (in economics studies on value in use are scanty and in the field of health-nursing studies on value in exchange are scanty). On Quality Evaluation, we examined the studies of A. Donabedian, and introduced the studies of Yasuko Ogata (on relative evaluation of nursing care). Consequently we think that it is important to examine the relation between Quality Evaluation and costs or pay system (relate to price or value in exchange).

An Examination of the Concept of Service

Tohru Kaizuka

This paper discusses how the concept of service ought to be defined so as to provide common ground in the controversy concerning service. With the shift in the service debate from the theory of productive labor to the theory of value, the idea of service as a commodity was prescribed as common ground for the concept of service. But this has produced some confusion, even in recent discussion by Haruo Kaneko, concerning the general definition of the concept of service. “So-called service” was changed to “the general definition of service,” and “service by nature” was replaced by “the definition of the form of service under capitalism.” But even though the general definition of service is an abstraction of its particular historical form, the general definition itself ends up changing its very nature. That is, *Naturaldienst* becomes less and less common with the development of capitalism, and the *Naturaldienst* stipulated as service in the general definition ceases to be service.

If there is to be any discussion of service as a commodity, it is first necessary to strip away its outer layer, the commodity element of a service commodity, and clarify the nature of the service itself. This is because ownership has nothing to do with the nature of products and of service. If the outer layer of a service commodity is removed, it is possible to describe service labor as labor that makes people its object. For material production, it is not a matter of the degree of the progression of capitalism determining whether something ends up being *Naturaldienst* or material production. Rather, based on the general definition, material production is always material production.

Unlike the assumption of the theory that equates service with a product, it is not possible to separate service, whose object is people, from the individuals who are its customers. Service is not a product that exists in isolation from the object of labor. Furthermore, service labor is not consumed by customers. Rather, service providers create results in customers themselves, primarily through utilizing the means of service labor. In other words, service is a product, a product that is totally inseparable from the object of labor.

The remaining issue in connection with the concept of service is discussion that incorporates the perspective of the theory of value, which is the biggest issue in the service controversy.

Service Products and Their Economic Characteristics

Yutaka Kushida

In recent years, the theory of labor in the service industry and creating labor-force value has been brought up by such figures as Haruo Kaneko, Kazuo Toda, and Nobuo Isagai in the controversy concerning the service industry. This theory, which belongs to the body of theories affirming the creation of value by service-industry labor, asserts the existence of value creation on the grounds that labor performed in the service industry creates labor-force value. The author of this paper maintains that this theory has encountered a deluge of criticism in connection with the fundamental nature of the service industry and labor within the industry. This paper is an attempt to address such criticism by responding to it from a systemic perspective. It also incorporates some further development of an argument that the author has made in the past.

The paper consists of three sections. The first, “The Material Nature of Service,” discusses service products and their material nature. The main thesis stipulates that if service-industry labor leads to a transformation of a material nature with respect to any human being who is the object of that labor, then such service is a product, in a sense that differs from that of material goods, as long as the transformation stems from such labor. Upon that basis, this section defines three characteristics of the material nature of service products: First, service is a transformation of a material nature that occurs in the human mind and body. Second, service is the joint product of labor and individual activity to fulfill a need. Third, service is integrated into the labor force.

The second section, “The Value Aspect of Service,” is written from the standpoint of service as a product. It shows that the value of service products is the sum of objectivization (*Vergegenständlichen* in German) through the transfer of past labor and objectivization through creation by existing labor, that is, transfer value plus added value. Furthermore, this section argues that most of the value of service products constitutes a fixed portion of the commodity value of the labor of wage-earning workers through the integration of service into the labor force.

In the third section, “A Response to the Critical Theory of the Creation of Value of Another Person’s Commodity,” the author examines criticism that disputes what he has said about value creation. Such criticism maintains that labor in the service industry does not produce its own commodities since labor-force commodities, based on the author’s argument, belong to consumers who are the objects of service-industry labor. The author argues that his critics’ contention that service labor does not produce its own commodities is itself a flawed argument if one understands the point that service products are the joint products of labor and individual activity to fulfill a need.

The Expansion of Public Services and Welfare Services for the Elderly

Takuya Sato

Along with business services, public services, such as welfare services for the elderly, child welfare, and hospitals, are among the small number of business sectors that grew during Japan's prolonged recession in the 1990s. Taking note of that fact, some observers contend that the expansion of public services is essential for Japan's economic renewal.

From the perspective of the country's transition from an economy that since the 1980s has been led by exports to one driven by demand within its own borders, we can certainly say that the enlargement of domestic demand connected to personal well-being, including public services, presents a more desirable scenario for Japan's economic structure than does the consumption-type demand associated with massive public-works projects. However, the nature of the current expansion of such public services as welfare for the elderly and children is that, the use of the word "public" notwithstanding, the actual situation is one of movement into this domain by private-sector profit-making businesses.

Taking welfare services for the elderly as one element of these public services, this paper examines the circumstances surrounding private-sector profit-making businesses' involvement in this domain. It also discusses how Japan's nursing-care insurance system and a series of deregulatory policies fit into the picture with respect to this private-sector activity. In particular, the author points out that one aspect of the private sector's involvement in welfare services, which is advancing under the nursing-care insurance system, is that the nature of welfare-service labor is being transformed. At the same time, he regards the current trend in the area of welfare for the elderly as being a problem in light of the philosophy of social security, which was attained as the outcome of a social movement and the development of capitalism. Namely, he regards this trend as a major philosophical departure from the idea that, on the basis of social responsibility, there is a guarantee of the right to live.

Through the above, the author clarifies the problematical nature of the expansion of public services that is presently underway in Japan.

Reform of China's Model for Its Community Service Economy

Masahiro Tateishi

Major changes are taking place in the structure of services for the residents of Chinese cities. This service economy even plays a role in supporting the foundation for China's progress as the country reforms its economic structure for economic growth. It is also thought to be a crucial sector in terms of understanding the secret of the Chinese economy's rapid expansion. This paper explores the substance of the current reform of China's model for its community service economy, which is also a central issue. This paper looks at the realm of services in a market economy, a realm that consists largely of personal businesses; at public welfare services and volunteer activities; and at government activities and government-operated services related to the lives of citizens. It explores such questions as how systems for the provision of these services, which are necessary for people's lives, have been formed and what direction these services are headed as they evolve and change. Drawing primarily on materials obtained through fieldwork in China, the author analyzes the transition that has occurred from the early days of reform in the 1980s through the new model for the community service economy as of 2001.

The structure of the service economy has changed along with shifts in the composition of urban populations and the living environment. There are regional differences in terms of the ways that cities' "roadside economies" operate. Old systems remain in place in small outlying cities, where traditional systems overlap and coexist within the scope of authority of the national government structure.

Meanwhile, the authority of bottom-tier government organizations is becoming stronger in major cities as reform proceeds. Depending on the extent of local progress in the transition to a market economy, there are also discrepancies in terms of the amount of income received through the administration of services and tax revenue, and structures for the provision of services in individual regions are diverse. However, the trend in locations where reform is well underway is to prohibit administrative agencies from being involved in commercial pursuits. Furthermore, nongovernmental and non-market-economy organizations—so-called nonprofit organizations (NPOs)—are beginning to develop in China. Community service centers can be regarded as one such kind of organization. There are activities performed at no charge, public services for which low rates are set and volunteer activities. These and other forms of activities categorized as community services have generated income. They have also expanded employment opportunities and promoted the forging of new links among people.

If these service organizations and systems had not been created, then there probably would not have been any assurance of new sources of income for

workers within China's bottom-tier government organizations or for people in the lower echelons of society. Unable to absorb the contradictions surfacing during the transformation of its economic structure, China would have experienced an upwelling of social unrest. Consequently, the country probably could not have made such strong progress in pursuing economic structural reform. Presently, it is thought that systems for the provision of community services are growing and paving the way for the service economy to enter a new stage of development.

An International Comparison of SME Policies: Analytical Methodologies and Comparison Criteria

Hisakazu Fukushima

Advances in the global economy are ushering in a new stage, bringing about the global integration of capital and production, and creating a global paradox for the small and medium-sized enterprises (SMEs) that underpin local economies. The philosophy shaping Japan's SME policy has consequently undergone a major transformation. This paper, which consists of four sections, seeks to probe the direction of the development of a democratic SME policy. The study explores analytical methodologies for an international comparison of SME policies and criteria for weighing such policies.

In the first section, "The Swiftly Changing World and Japan," I identify the problem of what kinds of business models should be created at a time when the paradigm for SMEs is undergoing a transition? In the second section, "Rising Expectations with Regard to SME Policies," I note that countries worldwide commonly recognize the importance of SMEs and the role that they play in a nation's economic renewal and the invigoration of its economy. I point out that countries need new policies and that there are mounting hopes that policies will be made stronger. In the third section, "International Comparison's Methodologies and Criteria," I explore how to qualitatively define an SME after I have first described the diversity of the SME definitions that different countries use and the scope of businesses thus categorized. I note that the global paradox is a problem for SMEs as a whole, and from this standpoint I make macroeconomic policy the issue. Focusing on the positioning of policymakers and SME policy, I then set some criteria for comparison and present a breakdown into different patterns. The fourth section is titled "SME Policy Evaluation Criteria and the Development of a Democratic SME Policy." Here I note that, while the downside of the global economy's progress is market failure, this progress leads to a shift away from the market principles of efficiency and competitiveness and toward the social principles of fairness and social responsibility. It also ushers in the establishment of natural and environmental standards as the supreme criteria for both types of principles. I suggest that SMEs that combine both the existence and function of an SME are the builders of economic democracy, and that their role is to develop the social formation of the market.

Economic Development and SMEs in Vietnam

Hiroshi Kotani

Vietnam's SME policies are just now emerging and still in their state of inception in the country's economic development. Vietnam's SME policies have two aspects, where Vietnam is on the one hand a developing nation and on the other is also endeavoring to be a socialist nation while introducing a market economy. Since the adoption of the "Doi Moi" renovation in 1986, Vietnam has introduced various market economic reforms, and succeeded in curbing inflation, decreasing the national deficit, and achieving 8-9 percent annual growth in its GDP. To achieve these ends, reformation of state-run enterprises, recognition of private enterprises, and approval of foreign businesses have played an effective role. In particular, recognition of private small-to-medium enterprises (SME) and self-owned businesses is playing a tremendous role in drawing out potential funding and motivation hidden within the general populace and in expanding employment and job opportunities. Now has come a critical time with respect to what sort of support measures the government should take, whether the approach be financial, tax-system-related, technological, skill and expertise-related, business-management-related, or any combination of the above.

Vietnam is looking to others for example, such as by studying the structure of SME policies adopted by Japan during its period of modernization and Germany's vocational training system. Perhaps these efforts will be effective for Vietnam in its capacity as a developing nation; however, it will also need considerable innovativeness, given that Vietnam also strives to be a socialist country. While Vietnam has recognized SMEs and self-owned businesses as necessary for its socioeconomic development, now seems the time to consolidate and further its SME policies, both in theoretical and practical terms.

It should be noted, however, that since the growth in industrial output has principally resulted from foreign businesses (approximately 30 percent of total industrial output and approximately 10 percent of GDP), Vietnam faces a major issue of how to expand domestically owned business. Furthermore, it would seem necessary for Vietnam to begin to consider how to handle external debt, which could increase in the future. Vietnam intends to develop its own economy using its international economic relations as an Asian nation, or better stated, as a member of ASEAN. While Vietnam does face a number of extremely difficult challenges, it will gradually improve its position within the international community.

Malaysia's Policy Toward SMEs: A Study from the Viewpoint of Industrial Policy

Seiji Kobayashi

The present status of Malaysia's policy toward small and medium-sized enterprises (SMEs) is that, with the establishment of the Small and Medium Industries Development Corporation (SMIDEC) as the supervisory agency for such businesses, the country has just instituted a full-fledged SME policy structure. Until now, SME policy has been shaped in the course of Malaysia's industrial development since the 1970s, that is, according to the evolution of the country's industrial policy. The crux of its formation has been how SMEs are connected to foreign trade and large corporations, and no consideration has been given to SMEs in and of themselves.

Rural industrialization was the pillar of the SME policy that was pursued as part of *Bumiputraisim*, with its stress on Malaysia's indigenous majority. This SME policy thus had pronounced social-policy overtones. However, the emergence of the Mahathir administration and the subsequent development of the First Industrial Master Plan (IMP1) in 1986 resulted in a complete change, and Malaysia embarked in earnest on an approach that equated the introduction of foreign capital with export-led industrialization. This led to economic dualism, since the Mahathir administration had also already pursued import-substituting industrialization in outlying areas through government-owned enterprises. The same two sectors, electronic equipment and automobiles, were at the center of these two coexistent industrialization strategies. Since Malaysia relied on imports for the bulk of the parts needed in both cases, the challenge that arose was how to link this industrial activity with the domestic economy through the involvement of SMEs. In this respect, the nature of SME policy at that time reflected the fact that fostering SMEs was part of Malaysia's industrial policy.

When even local content requirements did not result in the nurturing of local SMEs, Malaysia attempted to develop subcontractors for foreign enterprises or multinational corporations. But before any substantial results materialized, regional integration through the Association of Southeast Asian Nations advanced, and Malaysia's drive to "nationalize" hit a standstill. In its haste to become a highly industrialized country, Malaysia rushed into one big project after another. In the process, the task of resolving the original problem of inter-industry linkage through the development of supporting industries—and therefore vanquishing economic dualism—fell by the wayside. However, the 1997 currency crisis and the current collapse of the information technology bubble suggest that there is a need for structural reform with the expansion of domestic demand as its fulcrum. A repositioning of SMEs to support that is also called for.

Supportive Measures and Flexibility for Taiwan's SMEs

Koji Wada

The scars of Asia's financial and currency crisis, which began in July 1998 with the collapse of the Thai baht and then spread to Indonesia, Malaysia, Korea, and elsewhere, still remain on Asian economies. Yet, while murmurs of anxiety still linger in Asia, Taiwan seems, in comparison with other Asian nations, to have the sole robust economy.

There are several possible factors contributing to Taiwan's strong economy. The first is that Taiwan's economy is primarily driven by small-to-medium enterprises (SMEs), whose flexibility and progressiveness have been leading Taiwan's economic growth. Furthermore, SME policies have been successfully providing for the creation of SMEs, and thus allowing for the formation of these economy-spurring businesses can also be cited as a contributing factor. In this respect, Japan has much to learn from Taiwan.

However, picking out the individual, distinguishing characteristics of Taiwan's SMEs, one finds many similarities with those SMEs enjoying growth in Japan: corporate flexibility, aggressiveness in management, the presence of a network, and advanced technology.

At any rate, while Japan does have much it could learn from Taiwan and Japan is impressed with the exceptional performance shown by Taiwan's SMEs and SME policies—the prototype for Taiwan's SMEs is in fact the same as Japan's. Japan's SME policies have been painstakingly structured. The reason Japanese companies and policies do not function now as they should seems to be that Japan's matured economy has somewhat lost touch with Japan's SME policies.

Therefore, Japan's SME policies have the potential to function successfully, if Japan were to implement some form of adjustments. In other words, it is essential that SME entrepreneurs return operations to the basics, and that the Japanese government enact with confidence new and updated SME policies.

Small Business Policies of Australia

Mitsuaki Kusahara

It has been fairly recent that governmental authorities in Australia first directed their attention toward devising policies specifically geared toward small businesses. Such policymaking first began in the mid-1980s, and 1988 saw the first report on small businesses in Australia released under the title *Small Business in Australia*. Data recorded in this survey originate from the statistical years 1983 and 1984.

Australia today holds high expectations regarding the role of its small businesses. These businesses are hoped to provide increasing employment opportunities and to lead Australia toward improvement and successful globalization of its national economy. These high hopes Australia has for its small businesses stem from the vitality they hold. From the mid-1980s to the mid-1990s, the number of small businesses in Australia increased dramatically, especially very small businesses. Small businesses in Australia are primarily concentrated along the eastern coastal states. Particularly high proportions of Australian small businesses are concentrated in retail, construction, and real-estate.

Governmental authorities (including state governments) have been approaching policymaking under the encompassing concept of "small business." The intent of their policies is not so much to eliminate the problematic aspects of small businesses, but to promote business management by providing advisory assistance. Nothing corresponding to the characteristic gaps found between the big businesses and small and medium businesses of Japan, such as the wage differences that rise or fall according to the company's size, are evident in Australian small businesses

Small Business Policies in the U.K.: SME Policy from the Thatcher Years to the Blair Years

Koichi Okada

It is thought that the stance of policy for small and medium-sized enterprises (SMEs) in the United Kingdom has been different with the change of leadership, that is, as the party in power has shifted from the Conservative party, first under Prime Minister Margaret Thatcher and then under Prime Minister John Major, to the Labour party under Prime Minister Tony Blair. It can be said, though, that recognition of the importance of SMEs in the country appears to be on the rise regardless of the identity of the ruling party. That conclusion can be summarized as follows.

The nature of SME policy in the United Kingdom during the Thatcher years was strongly oriented toward employment measures and action in response to the problem of unemployment. The emphasis during the Major years, however, was switched to boosting competitiveness. Subsequently, the country began moving ahead with the centralization of services for SMEs and other efforts in order to upgrade the provision of practical services for these businesses. This approach to SME policy has also been continued under the Blair administration, and it is possible to see the extent to which qualitative improvements have been made.

Shortly after Blair's second term began, the government hammered out a plan to radically revise the British Company Law as part of its policy with regard to SMEs. With 2004 as the target year, this revision is designed to lighten the load of small businesses and improve the speed at which businesses can reinvent themselves. This is to be accomplished, for example, by no longer requiring small businesses to hold general meetings of stockholders and by simplifying company audits. The content of the revision reflects particularly strong consideration of SMEs with 50 or fewer employees. The government's attempt to give considerable thought to creating an environment conducive to the opening of new businesses is also apparent.

With SME policy in the United Kingdom having thus undergone the changes described above, this paper is an examination of the policy flow from the Thatcher years through the second Blair administration.

Policy on Small Enterprises in Italy and the Comparison of Community Industry in Italy and Japan

Kazuhide Yahata

This study examines the concept of small and medium enterprises (SMEs) in the “Third Italy” and clarifies the relationship between coordinators and the division of the manufacturing process in industrial districts with developing economies primarily driven by SME clusters. In addition, focusing on Tokyo as an example, it reveals the differences between Italy and Japan. Furthermore, this study draws attention to Italy’s SME policies, in particular SME policies at the provincial and municipality level, in order to identify those aspects it would behoove Japan to incorporate into its own SME policies.

In Italy, individual provinces have been delegated the authority to devise policies concerning SMEs and artisan companies, thus facilitating the making of policies that are effective and that reflect an understanding of the actual circumstances surrounding the SMEs in the specific region. Furthermore, the local SME groups and municipalities offer support and services that are useful to business operations.

Japan has many lessons to learn from Italy, including to abandon its reticence toward changing government policy and instead to enact at the regional level policies which incorporate the opinions of the SMEs. Japan should make support organizations more accessible by entrusting their operation to local SMEs, and eliminate expropriating mechanisms from business relationships, thus creating business relationships composed of a network of companies on equal footing.

To achieve these ends, Japan must conduct surveys on the actual state of policies enacted by regional municipalities to stimulate the local economies and to promote SMEs. By conducting surveys and comparing framework designs, plans of implementation, organization operations, budgeting, the geographical distribution of labor, and then publicly releasing the results, Japan will be able to create a local economic community that is satisfying to its residents.

SME Business Policy in Germany

Katsuhiko Hirasawa

The purpose of this paper is to clarify the content and characteristics of Germany's policy with regard to small and medium-sized enterprises (SMEs). In that country, SMEs and such independent professionals as certified public accountants and physicians have come to be lumped together in a category known as *Mittelstand* (middle class). While this term refers to a social class distinct from the upper and lower classes, in its narrowest sense the concept now refers to SMEs. Using definitions established by the Institut für Mittelstandforschung (Institute for Mittelstand Research) in Bonn, the Federal Ministry of Economics and Technology stipulates that a business with nine or fewer employees or annual sales of less than 1 million deutschmarks is a small enterprise, while a company with 10 to 499 employees or annual sales ranging from 1 million to 100 million deutschmarks is a medium-sized enterprise.

SME policy is ordinarily regarded as one component of economic policy, but in Germany the premise underlying the execution of economic policy is an economic order associated with a concept known as a social market economy. This concept refers to a neo-liberal economic order under which "state policies rectify social injustice that arises due to competition, and economic progress is left up to the market."¹ This concept was also a guiding principle for setting policy in postwar Germany. Under this social market economy, SME policy preserves the ability of SMEs to compete freely in the market by restricting the formation of cartels and abuses of market power by large corporations. In addition to endeavoring in this way to improve the terms of competition by eliminating competitive disadvantages on the part of SMEs due to their small size, Germany promotes the boosting of SMEs' ability to compete and to respond to changes in the industrial structure.

Under the Bonn Basic Law, the execution of this SME policy is the job of state governments, and the role at the federal level is "to provide assistance within the scope of the principle of supplementation, since legislative powers have been allotted competitively."² State governments perform this task by enacting their own laws to promote SMEs and by inserting pro-SME clauses in their state constitutions. SME policy that is carried out in this manner is a combination of a competitive policy aimed at preserving the competitive order within the market and SME promotion measures that endeavor to boost SMEs'

¹ Tomoki Waragai, "Keizai hatten to kozo henkaku" (Economic Development and Structural Change), in *Doitsu no keizai* (The German Economy), edited by Takeo Ohnishi, Waseda University Press, 1992: 30.

² Paul Klemmer, Werner Friedrich, Bernhard Lageman, u.a., *a.a.O.*:160.

competitiveness, chiefly by providing them with financial assistance.

Seeking for Symbiosis between Urban and Global Environments

Keiichi Tanaka

The global environmental is the greatest dilemma we face today if we are to continue to exist. This study takes the view that coexistence with the urban environment is the concept key to resolving this dilemma, arguing the absolute necessity of changing the conflicting relationship between development and environmental protection to one that is symbiotic.

The 21st century will be the century of environment, of Asia, and of urbanization. The 20th century saw emphasis placed on development. However, the 21st century will see the current incompatibility between economic development and environmental protection become evident in Asia. In order for us to protect the environment and create a sustainable society, Japan's environmental policies and technology will have to be adopted by developing countries in Asia and other regions.

Moreover, this study focuses on urban areas, where the majority of the world's population already resides and which will by necessity continue to grow in the future. It emphasizes that the concept of urban environment is key to development and environmental protection.

In addition, this study also discusses the declining status of Tokyo and argues that we should strive toward urban renewal and coexisting with the natural environment by striking a more solid balance between work and living. It also asserts that urban renewal focusing on Tokyo is critical to reviving the Japanese economy and examines results achieved by the state's urban renewal policies.

While Japan is currently suffering an economic depression, it is still home to the world's second-largest economy and boasts tremendous assets. However, while it can be pointed out that it is the only country with 17 times as much stock (i.e. gross national wealth) as capital flow, we also clearly continue to see a rise in negative stocks. Illustrative of this is the explosion in aging apartments and condominiums. Apartments and condominiums in Japan are not designed to last more than 30 years. This is now posing a problem for Japan, and this study points out that by 2010, 1 million buildings will require replacement, arguing the need to construct housing that will last for 100 years (SI construction).

Finally, interviews are presented, Nieuwland of the Netherlands is introduced as an example of an ultra-energy saving city, and suggestions are made as to the policies that Japan should itself adopt.

Environmental and Resource Policies of Scandinavia: Instructive Lessons for Japan

Naomi Maruo

This study presents the environmental protection and energy conservation policies adopted by Sweden and other Scandinavian nations, with an emphasis on those aspects influencing other countries' policies. At the same time, these policies will be compared with Japan's environmental protection and energy conservation policies, while identifying the strengths and weaknesses of these revolutionary conservation policies implemented by Sweden and other Northern European nations and suggesting what Japan has to learn from them. One of the reasons for broaching these conservation policies of Sweden and the other Northern European nations is that while each of these countries can boast groundbreaking results in the field of environment and energy conservation, the actual nature and significance of these policies and results remain unknown in Japan.

This study traces the background showing the dedication of these Northern European nations toward environmental policies, citing examples of where their policies are more radical than other countries and their significance, and presents the effects and problematic aspects of these revolutionary conservation policies. The first half of this study offers a general introduction and focuses on policies concerning waste recycling, which is a major environmental problem faced at the regional level. The second half of this study deals with carbon dioxide reduction measures, which bear a close relationship with environmental and energy problems faced at the global level, and energy policies relating to these measures.

There are economic, market-based, political, legal, and informal community-based approaches to environmental policies. This study focuses on the economic and market-based approaches used by Scandinavian nations in their conservation policies, which will prove particularly useful to Japan as a reference. In particular, this study cites environmental taxes and credit systems, which encourage recycling, and examines in detail approaches that yield beneficial results guided by tax and financial support while utilizing market forces in the development and spread of new and clean energies. Furthermore, this study offers a look at the activities of Natural Step, a non-profit, environmental protection organization currently drawing attention, and offers suggestions for environmental policies.

An Environmentally Symbiotic Policy-Making Process: A Case Study of the Upheaval in Plans for the Site of the 2005 World Exposition—Japan

Tatsuo Ito

If we attempt to sort out the path that Japan has followed in terms of trends in connection with pollution and the environment over the last 40 or so years of the 20th century, we can see that the foci and the nature of social concern and scientific interest have changed drastically. On the social front, concern has shifted from pollution problems to environmental issues. Meanwhile, in the scientific arena, there has been a move from the domain of natural science to that of social science. The second half of the last century was truly a period of transformation that can be appropriately termed an enormous change in the paradigm for environmental policy.

This paper presents a case study of the process of modifying plans for the Expo 2005 Aichi site. The initial concept for the exposition site entailed the large-scale development of land. But when this initiative encountered strong opposition from nature conservation groups in Japan and overseas as well as other parties, plans were substantially modified on the basis of a totally fresh approach. The author of this paper contends that the interaction that took place among parties with conflicting interests—government officials, citizens, an array of groups, and others who were involved—sets a positive example that illustrates the process of policy formation in a new age.

Management of the Global Environment and NPO Management

Yoshinobu Kumata
Hari Srinivas

Global environmental management should optimize individual regions' specific conditions, such as each location's nature, geography, ecosystem, history, culture, economy, and population. An additional challenge arising in environmental management is that it is implemented by a host of parties with differing philosophies of action—individuals, private businesses, groups, and government authorities—that cooperate and organize activities for this purpose. In terms of the characteristics of individual regions as well as the mix of parties involved, each region's specific program of activities for environmental management has to be something unique. This means that overall the activities undertaken must be elaborate and richly varied, which is the complete opposite of uniformity. In particular, region-specific environmental management requires the possession of special knowledge about the region in question. It also demands the ability to organize the kind of environmental activities that are needed there and then to implement a wide range of undertakings over an extended period with the collaboration of several parties. For this reason, the standard practice today is for nonprofit organizations (NPOs) to be established as the hub of activities related to managing the environment. These NPOs are formed by numerous individuals, businesses, groups, and other parties that combine their resources of people, funds, knowledge, skills, and contacts.

A multitude of problems pertaining to the management of NPOs must be settled. For example, how are NPOs formed? How should they be run after they have been organized? How can funds for the continuation of their activities be raised? What types of activities will allow the work of NPOs to grow and be accepted by citizens?

Focusing primarily on progressive examples in North America and Europe, this paper explores what kind of NPO management is required in order to form these organizations, to implement environment-related activities through the reinforcement of their operations, and to proceed with a unique form of community-based, partnership-oriented environmental management. In the process, the author also looks at other questions, such as what types of schools have been established to provide instruction in NPO management.

Rural Poverty Alleviation through Large-scale Irrigation Planning: Problem and Prospects of the Dalia Barrage Project, Bangladesh

Yoshiro Higano
Md.Fakrul Islam

Bangladesh is a riverine country with an agriculture-based economy. Since the 1950s, attempts to modernize agriculture and reduce dependence on the natural environment have been made. In the northern region of the country, in order to prevent flooding and drought on a vast area of fertile agricultural land, the Dalia Irrigation Project on the Teesta River was implemented. Operations started in 1993 in about 30 percent of the project area. During the first five years of operation, an increase in agricultural production was clearly observed. However, later, as a result of some internal and external problems, the operations of the project was stopped during the dry season. Consequently, the largest irrigation project of the country, in which millions of dollars has been invested, has created considerable economic loss and environmental concerns for the inhabitants of the Teesta basin area, in stark contrast to its initial aim to alleviate poverty through agricultural development. We are currently carrying out research on this problem from an economic point of view. In this paper, we point out a few general problems of the project and their causes, and also suggest some remedial measures.

Global Environment Change and Economic Development

Hideo Harasawa

The Intergovernmental Panel on Climate Change (IPCC) states in its Third Assessment Report, which it released in the spring of 2001, “There is new and stronger evidence that most of the warming observed over the last 50 years is attributable to human activities,” arguing that warming brought about by human activities has been advancing. Meanwhile, the United Nations Environment Programme (UNEP), which evaluates the state of each country’s practices regarding current environmental issues, in its report warns that despite the framework for international measures being in place, as exemplified by the United Nations Framework Convention on Climate Change and the Kyoto Protocol, progress has failed to be made on international and domestic measures, and that we are already late in preventing global warming. At the Earth Summit, sustainable development has long been the key phrase for future worldwide development, confronting the worsening of environmental issues on a global scale. Moreover, we are seeing directions in policies take a turn where the impact of global warming over the next 50 to 100 years, unusual weather, pollution, and other environmental issues are all treated under the encompassing concept of environmental security.

This report explores various matters related to global warming and economic development, and (1) reviews the latest scientific information provided by the IPCC regarding the worsening issue of global warming and collates scientific knowledge, which will be fundamental if we are to carry on sustainable development; and (2) investigates the concept of sustainable development and environmental protection, whose importance has increased over recent years. Finally, this report presents indices that reflect both the environment and economy as based on the direction taken by world views and gives the results of calculations performed for several of these indices. It also points out that while world economies continue to develop, as is suggested by GDPs and other economic indicators, in contrast, indices reflecting environmental issues suggest that many problems still exist before we succeed in sustainable development. Such problems are evident in the deterioration in the environment and in the quality of living, illustrating the need in the future for comprehensive studies of the economy and environment.

Establishing Urban Environment Policies under Resource and Energy Restrictions

Masahide Tanaka

Limited resource and energy supplies and the rapid deterioration of the global environment are amongst many threats to mankind's existence. This study emphasizes that protecting urban environments is indispensable to environmental sustainability.

The 20th century saw the human race thrive on the whole. It was a century where development and progress were given priority and achieved through mass production, mass consumption, and mass waste under the assumption that resources and energies were limitless. However, this became the most significant cause for the deterioration of the global environment, to the extent that we now see the red light flashing warning of the peril to our existence. In the 21st century, we will be confronted with the extremely difficult tasks of how to tackle this worsening of the global and urban environments, and how we can improve our living standards while we simultaneously protect the environment.

In order to achieve sustainable development under adopted restrictions on oil and other resources and energies, which have nourished mankind's prosperity, it is absolutely critical that we build a recycling society, which is thorough in its energy and resource-saving efforts.

Based on these facts, this study analyzes for each economic unit what steps should be taken in terms of the energy policies in Japan, which is lacking in its own resources, and expounds on the need to develop new energies such as solar, wind, and waste-generated power. The importance of introducing environmental taxes is also covered.