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**JSPS International Joint Research Project Proposal**

(Supported by JSPS Class-A Grants-in-Aid for Scientific Research)

**Project Title**

Designing Integrated Industrial Policies for Pro-Poor Growth under Globalization:

Promoting Surviving Industries in Developing Countries in Asia and Africa

with New Public-Private Partnership

**Project Period**

April 2015 – March 2019

Project Representative

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Cooperating Overseas Researchers from

(tentative)

Afghanistan, Bhutan, Cambodia, China, Indonesia, Myanmar, Thailand, Vietnam

DPR, Ethiopia, Ghana, Rwanda

**Purpose of the Research (Outline)**

**研究目的（概要）**

In the socioeconomic development of a developing country, sustainable growth and development of the domestic industry is essential to boost economic growth and employment creation that will bring about poverty reduction. Under a system of international economic institutions that allows a relatively broad policy space, Japan and other Asian countries that achieved rapid economic growth have succeeded in developing its infant and key industries under a diverse set of industrial policies. They have also achieved higher productivity, advanced its industry and promoted export by making use of foreign capital and imported technology; thus, all these have realized the “catch-up” industrialization (through the traditional follower-country strategy). However, developing countries in the 1980s and onward had to promote their industries under economic globalization and international economic system that were oriented toward free trade and overseas investment. They also had to face a competitive pressure from China and India, and were forced to develop their own industries within a limited policy space, attributed to the expanded global production network of multinational corporations, and under a stricter international economic environment. Taking into consideration that the economies of developing countries have polarized, and that today the term “industrial policy” is considered in a rather broader sense of a collective development policy and being applied more widely, this research intends to focus on the design of an “integrated industrial policy” that tries to promote pro-poor industrial development by utilizing the various effects of globalization. It will (1) analyze comparatively the cases of industrial policies and institutions of selected countries in Asia and Africa, and will combine (2) a wide range of empirical analyses (such as the Kin’s Analyses on industry selection/upgrading/diversification, the macro [economy-wide] and micro [firms and poverty level] quantitative analyses, and the integrated industrial policy simulations with the use of Computable General Equilibrium models). The ultimate goal of this research is to advocate an integrated set of effective policies that will promote surviving industries in developing countries, under global competition and integration, which includes domestic policies, policies that should be coordinated within a framework of regional economic cooperation, and initiatives to be taken under the scheme of international development cooperation. The current study pays extra attention to the potential of various Public-Private Partnership (PPP) initiatives, and explicitly deals with business enterprises and entrepreneurs as key target actors of industrial policies.

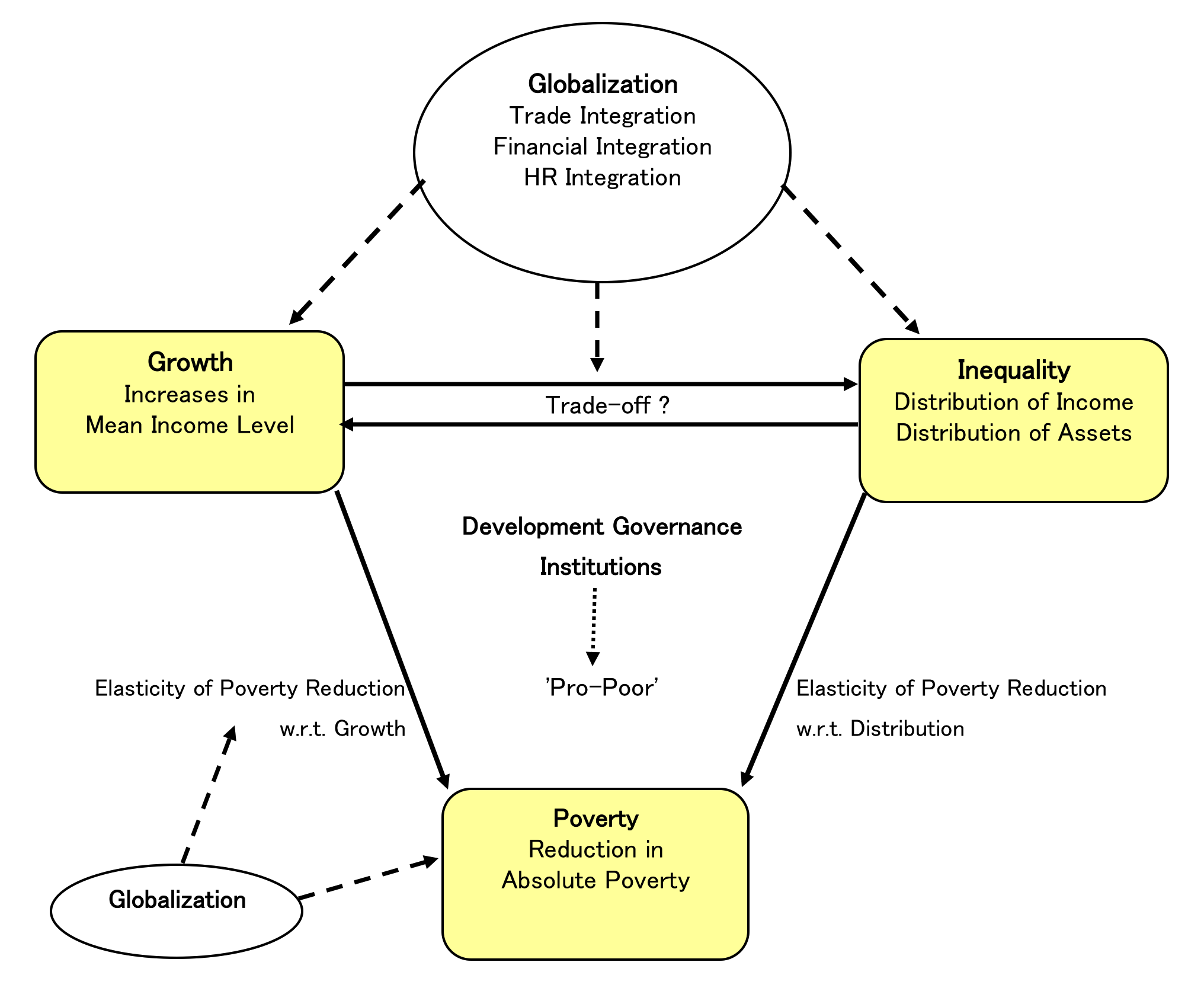
**Purpose of the Research**

**研究目的**

**(1) Academic background of the research**

**（１）研究の学術的背景**

　 The project leader has been involved in researches and policy dialogues for the preparation of developing nations to integrate into the global economic system and provided advices for Japan’s international cooperation through various institutions including the Department of International Economic and Social Affairs of the United Nations, the International Economics Department of the World Bank, the Office of the Chief Research Economist of the African Development Bank, the Globalization Committee for Japan’s Economic Council, JBIC, JICA, and other organizations involved in development assistance. Based on this experience, the project leader conducted a comprehensive and interdisciplinary research analyzing the effects of international economic integration from political, institutional, cultural, and social aspects as well as from economic perspectives in a project named, *A Comprehensive Analysis of Development Strategies under Globalization: Establishing 'International Development Economics' as a Synthesis of Economics, Politics/Law, and Culture* (2006-2008 JSPS Kiban B), conducted with a group of Japanese researchers. Research outputs were summarized in 2009 in Shigeru Otsubo (ed.), *Leading Issues in Development with Globalization*, Tokyo: Keiso-Shobo. The studies pointed out that the effect of trade and financial integration, which can be forecasted based on existing theories of international economics (that predict symmetric impacts on developed and developing economies), appeared, in fact, in an asymmetric form. The research also indicates that “inter-state dispersion” of the impact of economic integration on the economic system of developing nations depend on the country-specific (unique) factors such as the socioeconomic institutions, policy stance, and various restrictive factors particular to each country. It also became clear that an international comparative study based on overseas field surveys and case studies on the selective target countries and international joint research, with the cooperation of the selected countries’ researchers, is necessary. Thus, a research project *“Controlling the Impact of Globalization on the Poverty-Growth-Inequality Triangle: An International Comparative Study”*(JSPS Class A: FY 2010 to 2014) was developed into an international joint study involving 16 research institutions among seven different countries from Asia and Africa (namely, Japan, China, Vietnam, Thailand, Indonesia, Bhutan, and Ghana) to investigate the“inter-state dispersion” created by the impact (on growth, inequality and poverty) that the integration to the global economy gives to developing countries along with other factors specific to each country (e.g., socioeconomic institutions and policy packages, etc.). The research findings from this international joint research project have been compiled in the *Globalization and Development Vol. I: Leading issues in development with globalization, Vol. II: Country experiences, and Vol. III: In search of a new development paradigm* (Routledge, 2015).



Throughout these studies, the figure on the right, the “poverty triangle” of economic growth, inequality, and poverty reduction under globalization has been used as a basic framework. In this context, the achievement levels of **industrial promotion, corporate development and employment generation** were considered to be the keys to poverty reduction, while each country’s development governance, institutions and policies were dealt with as control factors.

The **industrial policies** (including discussions on their positive and negative sides) were treated in a rather neutral manner in the *East Asian Miracle：Economic Growth and Public Policy* (1993; World Bank) under the propagated development strategy that stressed public-private relationship and “functionalism.” Later on, with the expansion of “neoliberalism,” those industrial policies became detested. Krueger (1997) and others pointed out the risk facing policymakers in selecting the right industries. While the growth output of the developing countries under globalization has become polarized, Chang (2002) argued that these developing nations should be provided with the same policy space in industrial policies just like industrialized countries had before. Rodrik (2007) discussed the same view, and even in the OECD in the late 2000’s, opinions such as “industrial policies are not dirty words” and “industrial policy is back” were raised. Following the policy recommendations made by Cimoli, Dosi and Stiglitz (2009) in the IPD, Ling and Chang (2009), Ling and Monga (2010), and Ling (2012) and others discussed whether industrial policies ought to focus on industries with comparative advantage following the tradition, or whether a new industry be strategically created. Today, under these circumstances, a broader meaning of industrial policies is being argued as an integrated strategy for economic development. It is interesting to know that Krueger and Lin both served as the World Bank’s chief economists, and during this time the policy stance of the Bretton Woods institutions has transformed into a reality. In Japan, Professor Kenichi Ono at the GRPS Development Forum compiled Asia’s best practices into *Learning to Industrialize: From Given Growth to Policy-aided Value Creation* (2013; Routledge) and *Sangyo Seisaku no Tsukurikata (Developing Industrial Policies: Leaning from Asia’s Best Practices)* (2013; Yuhikaku). Currently, he is carrying out an industrial policy dialogue in Ethiopia with Professor Izumi Ono. It is now widely known that integrated industrial policies and supporting policy studies are essential for a proactive and dynamic promotion of industries that can acquire international competitiveness in this globalized world.

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Ling and Monga (2010), “Growth Identification and Facilitation: The Role of the State in the Dynamics of Structural Change,” World Bank PRWPS No.5313.

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**(2) What will be elucidated and to what extent it will be pursued during the research period**

**（２） 研究期間内になにをどこまで明らかにしようとするのか**

1. Conduct a comparative case analysis on the industrial policies and institutions in Asia and Africa to categorize the upper-middle income economies (and the former high-performing Asian economies) that continue to grow under globalization and selected low-income economies that are polarized from the viewpoint of industrial development/promotion. This approach will identify the differences and commonalities within each group and across groups.
2. Conduct the Kin’s Analyses on the industry structure and export bundle, analyses on the impact of (international) competition pressure from China, India and other key emerging economies, and analyses on the effects of the common market initiatives of the ASEAN and member countries of the Economic Community of African States on the segregation of industries and markets. By combining the results of these quantitative analyses, the study will attempt to identify the potential development paths of emerging industries and products of countries under review.
3. Investigate the theories, empirical findings and experiences (industrial policy cases) of “comparative advantage” and “competitive advantage” in order to elucidate the potential (with identified prerequisites) and limits of industrial development based on the creation of “competitive advantage.”
4. Take stock of the past cases and current initiatives on industrial policies and growth strategies under globalization that are carried out in the framework of public-private partnership (PPP), through international cooperation initiatives (particularly the facilitation of private investment, technology transfer, and education on industrial policies).
5. Review the past cases and current initiatives on industrial policies and growth strategies under globalization that are carried out specifically through promotion of (domestic) enterprise and entrepreneurship development. Design and execute original field surveys and qualitative and quantitative impact analyses.
6. Based on the analytical results obtained from steps 1 to 5, the study will conduct policy simulation analyses in a general equilibrium framework on the effect of integrated (industrial) policies that include industrial policies to select and promote the pillar industries (with or without coordinated allocation of industries within a regional framework), growth enhancing policies, public-private partnership initiatives, and international cooperation initiatives (i.e., ODA initiatives, South-South cooperation, etc.). Effects (on industrial development, economic growth, poverty reduction) of individual and integrated policies will be simulated and tested using the single-country framework, regional cooperation framework, and global general equilibrium framework. Micro poverty measurement modules are developed and attached to investigate the “pro-poorness” of the tested initiatives and integrated policies of some target countries (Indonesia, Thailand, Vietnam, DPR, Ghana).

**(3) Scientific characteristics, originality, expected results, and significance of the research in the area**

**（３）当該分野における本研究の学術的な特色・独創的な点及び予想される結果と意義**

There is an increasing number of officers in charge of receiving aid in the developing world who claimed for “private investment and business enterprises rather than official aid.” Assuming the expanded role of private investment and public facilitation of it, Japan’s “ODA charter” is transforming into a “development cooperation charter.” An intellectual cooperation that supports the industrial policies of the developing countries in Asia and Africa as a growth strategy to sustainably reduce poverty is now strongly desired. These countries intend to carry out policies for competitive industries that are viable under the global economic and institutional environment, and wish to apply the experiences of Japan and other Asian countries that have achieved high economic growth by executing industrial policies including strategic trade policies. There have been a number of suggestions made in sharing industrial policies of a specific Asian country, or general policy prescriptions applicable across countries. However, this research is unique in a sense that it attempts to support the policy designs by combining analytical case studies and solid quantitative analyses on the integrated industrial policies in certain classified target countries. A large significance lies in this study as a breakthrough in academic research and a translation of its findings into development policy making is the collaborative work involving local policymakers.

The project leader, research team members, and other stakeholders in the field of development planning and implementation are already engaged in collaborative activities. Many of the staff in the development policymaking agencies in Asia (Afghanistan, Indonesia, Kyrgyz Republic, Thailand, Vietnam, etc.) are former students of the project leader and have a close cooperative relationship that are all important in doing the policy analyses and policymaking. Through Japan’s ABE Initiative and MEXT Scholarship schemes, young staff working in the related government agencies in Africa (DRC, Ghana, etc.) will be invited to Japan to join the current research project while pursuing their own higher degrees.

Research output will be presented in international seminars, published in English publications, and shared in the project’s websites. The project leader and other cooperating members of the research have participated in development cooperation projects of the development assistance agencies (JICA, MOFA, World Bank, ADB, and etc.) in the past. Further, overseas collaborative researchers are deeply engaged either in policy development or policy studies.

**Research Plan and Methodology (Outline)**

**研究計画・方法（概要）**

Researchers from Japan and developing countries along with practitioners of economic development and industrial promotion will collaborate in conducting a policy research that will lead to the design of an integrated industrial policy in a broad sense which is essential to achieve economic growth and poverty reduction through sustained industrial and enterprise development under the global economic competition. The study will be divided into the following 6 modules and research target areas in which each module will be linked to the other modules.

1. **Comparative case analysis on industrial policies and institutions in Asia and Africa**

Changes in the industrial structure and export bundle of the Asian countries that showed post-war high economic growth and other developing countries that developed after the third wave of globalization in the 1980s will be sorted out and integrated, based on the control factors including resource endowments, geographical conditions (i.e. land-locked, island states), institutional changes on international economic environment, industrial and growth promotion policies (particularly trade and investment policies and the domestic economic structural reforms), and the regional economic cooperation initiatives. In addition, the upper-middle income economies (and the former Asian High Performing Economies) that keep on growing and many low-income developing countries that have been polarized in the globalized world economy will be re-categorized from the viewpoints of success and failure in industrial promotion strategies. Following these steps, a matrix on the differences and commonalities and bottleneck factors will be compiled for each group of countries.

**2) Kin’s Analyses on the industry structure and export bundle, and analysis on the international competition pressure**

The following three types of analyses will be combined to investigate the potential development path of industries and products that are designated for promotion in the target countries. The analyses include: studies on the “product space” and “economic complexity” in the selection, diversification and advancement of industries and products in developing countries; assessment of competitive pressures (competition with imported goods in the domestic market and competition on the export commodities in the overseas markets) from China and India; and examination of the roles of common markets within ASEAN and the Economic Communities of African States (allocation of industries and sharing markets). Analytical methods and database of the Center for International Development, Harvard University, as represented in the works of Hausmann and others, and the UN/COMTRADE database will be utilized, among other sources, for this part of the research.

**3) Comparative advantage vs. competitive advantage**

Investigate the theories, empirical findings and experiences (on industrial policy cases) of static “comparative advantage” and dynamic “competitive advantage” in order to elucidate the potential (with identified prerequisites) and limits of industrial development based on the creation of “competitive advantage.” A comparative verification will be conducted using a general equilibrium global trade and investment model.

**4) Industrial and growth policies carried out by public-private partnership (PPP) under the ongoing process of globalization in economic/business activities**

Studies will be made on the impact of coordination between the FDI of multinational corporations and development of local industries and private sectors. Methods on government’s coordination aiming to utilize the resource rent in the promotion of industries with positive pro-poor impact such as the agro-industries will be investigated. Conduct stocktaking on the initiatives of international cooperation (including ODA and PPP projects) that facilitate private investment, technology transfer and transfer of knowledge in designing industrial policies. Surveys and interviews will be made to achieve this end.

1. **Industrial and growth policies carried out for/through enterprise development and entrepreneurship development**

The reason “why the poor is poor” has been evolving among the so-called mainstream development economists in the past 70 years after the end of WWII. It is now believed that “poverty will never disappear unless proper incentives are given to the poor, in a fair and equitable manner for them to get out of poverty (given the failures and malfunctions of policies and institutions).” At the same time, it is essential that “the poor be sufficiently empowered in order for them to stand up given the presented incentives (lack of empowerment and capacity building).” The same is true in the case of industrial promotion in which the current study will explicitly deal with as business enterprises and entrepreneurs are key target actors of industrial policies. The study will take stock of the past cases and current initiatives on industrial policies and growth strategies under globalization that are carried out specifically through the promotion of (domestic) enterprises and entrepreneurship development. The study will design and execute original field surveys and qualitative and quantitative impact analyses.

1. **Simulation analyses of the integrated industrial policies and assessment of the pro-poor growth**

Based on the analytical results from steps 1 to 5, the study will conduct policy simulation analyses using a general equilibrium framework on the effect of integrated policies that include industrial policies to select and promote the pillar industries (with or without coordinated allocation of industries within a regional framework), general growth-enhancing policies, public-private partnership initiatives, and international cooperation initiatives (i.e., ODA initiatives, South-South cooperation, etc.). Efficacy of border policies (managing trade, financial and investment flows, and human capital movement) and domestic reforms and initiatives (such as investment-conducive environment, competition laws, deregulations, labor and capital market reforms, human capital development, etc.) will be tested individually and as integrated policy packages. The effects of individual and integrated policies on industrial development, economic growth, poverty reduction will be simulated/tested in the single-country framework, regional cooperation framework, and global general equilibrium framework. Model and database of the Global Trade Analysis Project, in which the project leader and researchers are participating, will be used in multi-country policy simulations. In order to assess the poverty impact of individual and integrated industrial policies, the micro-simulation modules will be added to the one-country CGE models for some of the target countries such as Indonesia, Thailand, Vietnam, DPR, Ghana.

**Research Plan and Methodology**

**研究計画・方法**

1. **Research target countries**

China, Vietnam, Cambodia, Laos, Thailand, Myanmar, Indonesia, Bangladesh, Bhutan, Afghanistan, Kyrgyzstan, Ethiopia, Ghana, Rwanda, Kenya, Tanzania, Pharaoh, Fiji, Samoa. (Once the preliminary findings from the analyses in Module 1 and cooperation with local officers in charge of implementing industrial policies have been established, the set of target countries will be narrowed down.)

1. **Research project team structure**

**Project Secretariat**The secretariat for this research project will be launched in the project leader’s (Otsubo) affiliation in the Graduate School of International Development, Nagoya University. The secretariat will employ a project administrative assistant and a couple of research assistants (RAs) from the current PhD students to operate and manage the project website, ML and BB. It will also coordinate the research work between domestic scholars and overseas co-researchers. The secretariat’s work includes preparation and operation of workshops and policy study seminars within and outside the country, and dissemination of research outputs (through project WP etc.).

**Domestic researchers and their assigned research areas, modules and target countries**

**Shigeru Otsubo,** Professor, Graduate School of International Development, Nagoya University

He will be responsible in preparing all the research modules from 1 to 6 as project leader and supervise the cooperation. He will direct the studies to be conducted in China, Thailand, Myanmar, Indonesia, Bhutan, Afghanistan, Kyrgyzstan, and Ghana.

**Nobuaki Matsunaga,** Professor, Graduate School of International Cooperation, Kobe University

While participating in modules from 1 to 4, he will be in charge of research module 5 as an expert in enterprise development for economic development and entrepreneurship advancement. He will manage the research activities in Indochina countries including Vietnam, Cambodia, Lao PDR and Bangladesh.

**Souksavanh Vixathep,** Assistant Professor, Graduate School of Economics, Kyoto University

He will take part in the research modules from 1 to 5 focusing mainly on SME and entrepreneurship development in Indochina countries. He will be responsible on the quantitative analysis to be applied in all research modules, and will supervise the research to be carried out in those countries. He will also support Prof. Matsunaga in managing module 5.

**Izumi Ono,** Professor, National Graduate Institute for Policy Studies in Japan

She will be in charge of module 4 as an expert on aid policies. She will also participate in the activities under module 1 . The main research target countries will be Ethiopia and Rwanda.

**Tetsuo Umemura,** Professor, Graduate School of International Development, Nagoya University

He will conduct studies falling under modules 1 to 5 as an expert in the development of Small Island Developing States (SIDS) and tourism development. The research topic will be tourism development through adoption of foreign capital and its linkage with local industries focusing mainly on Palau, Fiji and Samoan island states.

**Ken Itakura,** Professor at the Graduate School of Economics, Nagoya City University

He will work on module 6) as an expert in international economic systems/institutions and on the development and implementation of the GTAP global trade and investment general equilibrium analysis model. He will also participate in modules 2 and 3 depending on the needs of the general equilibrium analysis. He will be in charge of the regional economic associations such as the ASEAN FTA and African initiatives in the regional economic cooperations.

**Jean-Claude Maswana,** Associate Professor, Graduate School of Business Sciences, University of Tsukuba

He is a specialist in African economic development and development finance. He will conduct studies on the competition and connection between multinational corporations and local enterprises (SMEs) in Africa, and the export promotion of local corporations. His main target countries for research will be Kenya and Tanzania.

**Christian Otchia,** Post-doctoral Fellow, Graduate School of International Development, Nagoya University

His field of study is African economic development and industrial development. He will participate in modules 1, 2, 3, 5, and 6. He will conduct a survey on the theories, empirical studies, and databases related to the current research project. He will undertake and supervise the quantitative analyses such as the I-O analyses and Kin’s analyses, and will develop and maintain the key project database. His main target economy will be DPR and African countries. He may also join the analyses of case countries in Asia.

1. **Overseas research affiliate and organizational structure of research collaborators by each target country**

Research affiliates, co-researchers and the target institutions for industrial policy support in this international joint study are provided below. The survey targets in each country will be selected through discussions with overseas collaborating research institutions and researchers.

And overseas collaborating research institutions will be added/selected as the study proceeds in the preliminary research modules.

**China**

Collaborating research institute: Shanghai University of International Business and Economics  
Research collaborators: Prof. Zhang Hong (Dean of the School of International Business and Economics); Prof. Zuovi Ye (Associate Professor); Prof. Ling Zhao (Lecturer)

**Indonesia**

Collaborating research institute: Institute for Economic & Social Research Faculty of Economics, University of Indonesia (LPEM-FEUI)  
Research collaborators: Prof. Teguh Dartanto (LPEM Research Director); Dr. Zamroni Salim (LIPI)

Policy maker: Dr. Rizal Lukman (Deputy Minister for International Economic and Financial Cooperation, Coordinating Ministry for Economic Affairs)

**Thailand**

Collaborating research institute: Faculty of Economics at Chulalongkorn University and Faculty of Economics at Chiang Mai University.

Research collaborators: Prof. Chalaiporn, Prof. Chairat Aemkulwat (Faculty of Economics, Chulalongkorn University); Prof. Nalitra Thaiprasert (Lecturer at the Faculty of economics, Chiang Mai University)

Policymakers: Dr. Phanida Roidoug (Public Infrastructure Project Financiang Bureau, Ministry of Finance), Policymaker and Researcher (from the National Economic and Social Development Board)

**Vietnam**

Collaborating research institute: College of Economics, Vietnam National University

Research collaborator: Prof. Nguyen Tien Dung

Policymakers: Ministry of Planning and Investment and Ministry of Industry and Trade

**Bhutan**

Collaborating research institute: Centre for Bhutan Studies

Research collaborators:Dasho Karma Ura (President of the Centre for Bhutan Studies) and his staff

Policymaker: Still to be selected.

**Ghana**

Collaborating research institute: Department of Economics, University of Ghana

Research collaborators: Prof. Eric Osei-Assibey, Prof. Daniel Twerefou, and Prof. William Baa-Boateng (Senior Lecturers at the Department of Economics, University of Ghana)

Policy maker: Still to be selected from the Ministry of Finance

**Myanmar**

Collaborating research institute: Yangon Institute of Economics, Campus Asia of Nagoya University

Research collaborator: Prof. Sai Seng Sai (Lecturer)

**Cambodia**

Collaborating research institute: Campus Asia of Nagoya University in the Royal University of Phnom Penh

**Afghanistan**

Research collaborator: Mr. Seran Bawar (General Manager of the Industrial Development Department, Ministry of Finance Afghanistan)

**Kyrgyzstan**

Research collaborator & policymaker: Mr. Abdyglulov Tolkunbek Sagunbekovich (Chairman of the National Bank of the Kyrgyz Republic)

**Rwanda**

Collaborating research institute: The World Bank Rwanda Office

Research collaborator: Dr. Yoichiro Ishihara (Senior Economist at the World Bank Rwanda Office)

1. **[Annual Plan]**

**Implementation plan for the academic year 2015**

During the first year, the project secretariat will be set up (by reforming the secretariat from the previous project) to rebuild the project website, project BB and project ML. Following a series of research meetings with the domestic research collaborators, we will fully share the research modules, tasks and hypotheses of the project. Selection of target countries for the initial survey and research collaboration, and appointment of the person in charge of each country/area will be done. Then, visit will be made to the overseas collaborating research institutes and co-researchers (or have discussion over the Skype) to coordinate the research organizational system and confirm the study themes of the overseas project bases. Modules 1, 4 and 5 will be worked on during the first year, while literature review for modules 2 and 3 and the formation of the basic structure of the analysis model for module 6 will be carried out as well. A couple of countries within the target area will be selected to establish the collaborative framework for the joint research. In addition, an individual study on several countries will be implemented.

**Implementation plan for the academic year 2016 and onward**

During the project’s second year, the analytical results for modules 1, 4 and 5, progress in formulating policy simulation models, and findings of the literature review of other modules, and research progress of other individual studies will be shared. Both joint and individual researches will be conducted, respectively. Workshops with domestic researchers and overseas research collaborators will be held at the end of the second year in order to share the results of the study, discuss the publication, and review the research plan if necessary.

On the third year, we will utilize the research output and organize a development policy seminar in the target country of the policy support research. We will check the feasibility and validity of the research orientation at this point. Research activities both on joint and individual bases will be also implemented. Exchange activities among the overseas research institutions and policymakers will be promoted.

Joint research will be continued in the target countries during the final year of the project, while the findings will be shared with the general public (through publication of books, WP and implementation of development policy seminars). We will invite overseas research collaborators to Japan, or to any research center in Asia and Africa to hold an international workshop on industrial policies.

The research may not follow the schedule as the field survey and industrial policy support and dialogue will be affected by diverse local situations. In such case, we will be flexible in changing the main research target country from time to time. Yet, the survey and research design and integrity will be maintained by taking a more flexible approach during the four-year span of the research period.