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RESEARCH



■ Nancy Davis Lewis is director of the EWC Research Program.

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The East-West Center Research Program addresses issues of contemporary policy significance to the United States and the Asia Pacific region in a comparative, multi-national context. The research activities aim to increase understanding of regional challenges and policy responses, providing conceptual tools and examining underlying dynamics. Research collaborations have been forged with experts from institutions in the U.S., Asia, the Pacific, Canada, and Europe. The Research Program is organized into four broad areas: Politics, Governance and Security; Economics; Environmental Change, Vulnerability, and Governance; and Population and Health. Themes explored by resident and visiting fellows change depending on research and policy needs. Highlights from some of the current projects are described in this section.

Director of Research Nancy Davis Lewis chairs a briefing for the Standing Committee on Public Health of the Thai House of Representatives.



EWC Adjunct Fellow David Cohen (right) facilitates a research seminar with Indonesian justices and international humanitarian law experts.

U.S.-ASEAN FREE TRADE AGREEMENTS

EWC Visiting Senior Fellow Seiji Naya and Michael Plummer of Johns Hopkins University, published *The Economics of the Enterprise for ASEAN Initiative* (EAI), an initiative proposed by President Bush in 2002. This report makes a case for the EAI, as a defensive strategy for ASEAN and a proactive commercial policy approach for the United States. The study reviews the U.S.-ASEAN economic relationship, analyzes the policy considerations in the EAI from both the U.S. and ASEAN member-state perspectives,

surveys theories of free trade areas, and empirically tests the economics of the EAI itself.

Findings were presented at a State Department sponsored seminar for policy makers in Washington, at a meeting of ASEAN economics officials in Manila, and at an Indonesian Institute of Sciences seminar in Jakarta. The study was conducted in collaboration with researchers from ASEAN countries under the auspices of the East-West Center, and was partially funded by the U.S. ASEAN Business Council and the Ford Foundation.





EWC Senior Fellow ZhongXiang Zhang (1st row, 4th from left) with delegates from Mainland China at The Cross-Straits Conference on Energy Economics and Market held June 2005 in Taiwan.

REDUCING POVERTY IN THE ASIA PACIFIC REGION

The East-West Center is engaged in a number of economics projects that examine policies and strategies for reducing poverty in selected economies and economic sectors. The Asia Pacific region's recent growth creates the need for policies that ensure the benefits of stronger economies go toward improving the living standards and livelihood options of economically disadvantaged citizens.

In collaboration with researchers from the Indian Statistical Institute in Kolkata, EWC Fellow Christopher Edmonds surveys severely impoverished small farm households in remote rural areas of Eastern India's Chhotanagpur Plateau. Combined with data from a 1997-98 survey of these households, researchers trace welfare and economic opportunities during the intervening years to identify household characteristics and public policies that have resulted in poverty reduction.

Another study examines the situation of poor ethnic minority households in border areas of the Greater Mekong Sub-region, assessing the opportunities and problems posed by large-scale multi-country road infrastructure projects under construction. A third project assesses the impact of tourism sector growth

on income, inequality, and poverty in selected Southeast Asian tourist markets. These research projects examine particular industries and population segments in order to determine the consequences of accelerating growth and globalization for Asia's poor. Understanding the plight of the poor during times of strong economic growth is vital to the long-term stability of the region. Lack of progress in reducing poverty can undermine popular support for sound policies and push governments toward grandiose populist promises or more radical policies.



CLIMATE AND ENERGY POLICY

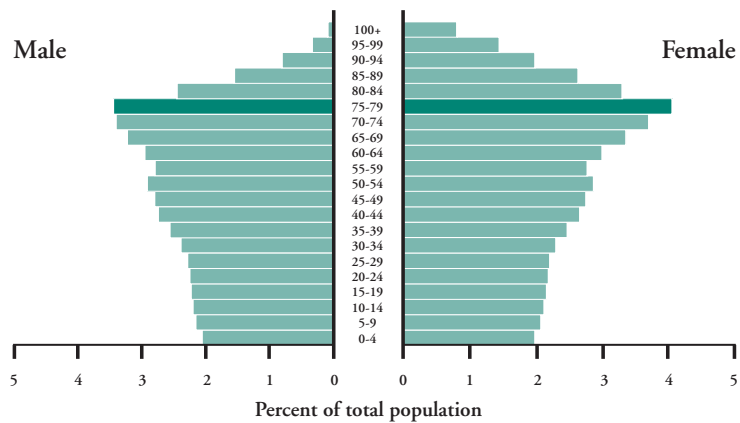
Last year's enactment of the Kyoto Protocol on climate change has cleared the stage for a new round of international negotiations on limiting emissions. The Protocol's enactment also endorses the Clean Development Mechanism (CDM) by which industrialized countries invest in emission-reducing projects outside their borders. China, as a developing country, does not have carbon emissions restrictions and its coal-dominated energy use gives rise to extensive greenhouse gas emissions. Its future energy policy is now a focus of international attention.

EWC Senior Fellow ZhongXiang Zhang's research explores ways to engage the U.S. and China in committing to emissions controls. Effective implementation of China-based CDM projects is the focus of his recent contribution to the journal *Energy Policy*. The Canadian Minister of the Environment requested his input for the first Meeting of the Parties to the Kyoto Protocol.

Zhang and Yunchang Bor of the Chung-Hua Institution for Economic Research in Taipei organized The Cross-Straits Conference on Energy Economics and Market. This historic conference brought together 180 senior officials and experts from Mainland China and Taiwan to discuss energy issues.

Age structure of Japan's population in 2050

The graph projects the outcome of Japan's recent fertility decline in the year 2050. As a result, the aging population will surge, with the 75-79 age group topping 7% of the total, and the entire population segment over age 65 climbing to 36%.



EWC climate project coordinator Eileen Shea testifying before the U.S. Senate Committee on Commerce, Science, and Transportation.

In the U.S., the Regional Greenhouse Gas Initiative is a cooperative effort of Northeastern and Mid-Atlantic states to reduce power plant emissions. This regional trading scheme among U.S. states seeks to offset inactivity at the federal level and demonstrates that cutting carbon emissions can be cost-effective. A current EWC study examines the economic and environmental issues relating to current and potential climate action coalitions in the U.S., and extension of these coalitions to other countries.



EWC Senior Fellow Robert Retherford, population and health studies coordinator, presents his research on low fertility issues.

LOW FERTILITY IN EAST ASIA

Fertility has fallen to very low levels in many Asian countries — especially in East Asia, where current rates of childbearing are 1.2-1.5 children per family. Initially the fertility decrease was viewed with approval, but now there is concern in Japan, Korea, and Taiwan that fertility is too low. This apprehension stems from the prospect of rapid population aging, which is a consequence of not only falling mortality but also declining fertility.

In collaboration with Nihon University's Population Research Institute in Tokyo, EWC Senior Fellow Robert Retherford is conducting a study on Japan's aging population and fertility decline. Japan has one of the oldest populations in the world. In 2000, 17 percent of the population was age 65 and older. This high proportion of elderly places severe strains on Japan's social security system, which has provided universal pension and medical coverage since 1962. By 2050, the population segment over 65 is projected to climb to 36 percent, causing the strains to further intensify. Japan's population started declining in 2005, adding to the government's concerns about low fertility. Indeed, if current fertility, mortality, and net international immigration rates persist, Japan's population will eventually decline at a rate of 35 percent per generation, which is every 30 years.

INNOVATION OFF-SHORING TO ASIA

Much of the debate over the issue of "outsourcing" jobs from the U.S. has focused on low skill activities. However, the real threat is the off-shoring of highly complex work. A study of Asia's emerging role in the off-shoring of innovation was initiated in 2005 by EWC Senior Fellow Dieter Ernst and his colleague Boy Luethje of the University of Frankfurt, with funding from the Volkswagen Foundation.

With a multinational team, the two economists examine the forces driving this high-end off-shoring and its potential impact on U.S.-Asia economic relations. The project focuses on the electronics industry, which dominates U.S.-Asia trade and investment, highlighting the role of Asian governments and firms as promoters of innovation. The field research demonstrates that innovation off-shoring is driven by changes in corporate management and the globalization of markets for technology workers. The main drivers are global corporations that desire Asia's lower-cost knowledge workers and large sophisticated markets. The research indicates that innovation off-shoring is expected to grow, creating new challenges and opportunities for U.S. relations with the Asia Pacific region. The findings have been disseminated through publications for APEC, the Shanghai Forum, the Council on Foreign Relations, the United Nations Conference on Trade and Development, and the United Nations Industrial Development Organization.

EWC Senior Fellow Tim Brown speaking at the EWC Asia Pacific Breakfast Briefing sponsored by the Bank of Hawaii.



OTHER EAST-WEST CENTER RESEARCH

Politics, Governance and Security

China's Capitalist Transition—social, political, and economic changes accompanying China's transition to an open market economy.

Domestic Political Change and Japan's Foreign Policy—changing institutions shaping Japan's foreign policy.

Rise of Private Business in China—localized production networks and guanxi capitalism.

Shifting Terrain: The Domestic Politics of the U.S. Military Presence in the Asia Pacific—how the U.S. presence in Asia is affected by domestic political change.

Human Rights—Asian International Justice Initiative.

Economics

Asia Pacific Energy Outlook—assessing energy issues; energy-economic links; the outlook for oil demand, supply, and trade; natural gas markets and future developments; and energy and environmental security.

China's Integration into Global Production Networks—addressing the question: Will China become a leading world technology power?

China's New Economy—effects of China's surging international trade, fulfillment of commitments under the World Trade Organization, and its emerging role in the Asia region.

Effects of new cross-border road infrastructure—social and economic effects of road links intended to increase economic integration in the Mekong region.

Future of Tourism in Asia and the Pacific Islands—implications of increasing international tourism in the Asia Pacific Region and the sector's role in developing economies.

LNG Market in Asia—assessing liquefied natural gas supply prospects for the U.S.

Environmental Change, Vulnerability, and Governance

Air Pollution and Poverty—developing air quality management policies that consider the impact of air pollution on the poor.

Climate Risk Management—integrating considerations of climate variability and change in disaster management and development planning.

Natural Resources and Violent Ethnic Conflict in the Asia Pacific—interdisciplinary study involving scholars who focus on ethnic conflict and access to resources.

Role of Land-Cover Change in Montane Mainland Southeast Asia in Altering Regional Hydrological Processes—understanding the relationships between land-cover/land-use change, hydrologic processes, and global climate change.

Risk and Vulnerability—protecting vulnerable populations.

Population and Health

Family Change in Asia and the United States—new patterns of family formation and the relationship between work and family life.

Economics of Aging—developing new methods for measuring inter-generational transfers.

Integrated Analysis and Advocacy for HIV in Asia—working with national health programs to analyze the HIV epidemic in key Asian hot spots and develop effective policy responses.

Policy Issues in the Demography of Youth—social and demographic dimensions of Asia's urban youth explosion.

Population and Health in China—estimating fertility change in China during the last 20 years.

Interdisciplinary Approaches to Emerging Infectious Disease—integrated biomedical, ecological and social science approaches.