

Comments and Discussions

Ferdinand C. Maquito, Ph.D.*

The objective of this paper is to make a survey of the history of the regulatory reform of Japan and to evaluate the effects of the special zones for structural reform as both a social experiment and the regional vitalization measure. At first glance, one would think that these two roles of the special zones would naturally be complementary, but the author, in his documentation of the Japan's special zones, was able to show interestingly that this is not necessarily the case. While starting out as a vehicle for social experiments in deregulation, Japan's special zones appeared to have evolved to be more focused on regional vitalization. The author also gives interesting explanations, based on his analysis of incentives, as to why such shift came about and why there seems to be a substitution effect rather than a complementary effect between the two roles.

This brings to mind the earlier efforts of other East Asian countries with regards to special zones. The other Northeast Asian countries/economies have embarked on their special zone (mostly known as export processing zone or EPZ) programs as early as the 1970s. The Philippines was a bit late, and initiated its EPZ program in the 1980s. What is clearly different from the special zone of China, for example, and that of the Philippines was that the former was used more as a medium of social experimentation, as China started its transition towards a market economy. In the case of the Philippines, however, the special zone (which started out in the manufacturing sector) was clearly a policy strategy for the government to spread the growth to the regions (i.e., regional revitalization).

In the light of this, the paper shows that Japan initially had the objective of using the special zone like in the case of China (i.e., social experimentation). However, as the paper clearly shows, Japan ended up focusing on the regional revitalization role, just like in the case of the Philippines. In this sense, it would be interesting to explore ways as to how Japan and the Philippines could share experiences and other resources to enable the special zones to achieve such a role.

The paper also goes into a discussion of the administrative aspect of the special zone program of the Japanese government. Information on such behind-the-scenes policymaking is scarce, and such analysis would have several benefits, one of which would be contributing to the transparency of public policy-making in Japan. Along this line, it would be further interesting to see more clearly the process of how the special

zone program was arrived at.

There are at least two hypotheses that come to mind. One is that the special zone program was primarily a victory on the side of the reformist faction of the government, which was feeling disappointed that their earlier reforms (during the second half of the 1980s and 1990s) were not proceeding as planned due to intense resistance within the government and bureaucracy. Another hypothesis is that the special zone program was primarily a victory on the side of the resistance faction of the government, which has increasingly become frustrated with the repeated failures of nation-wide reforms that the reformist faction was able to push through albeit ineffectively. By clarifying which of these two hypothesis is more valid, one could go a long way in clarifying the cause of the so-called Lost Decade of the 1990s, and in so doing provide clearer guidelines for policy-making not only in Japan but also in other countries that have adopted the special zone as a strategy for development

As to the measurement of the economic effects of the program, the author correctly points out that producer surplus should also be measured, bearing in mind that it is not only the consumers but also the firms that comprise any economy. This, of course, is the traditional view of welfare economics, which largely focuses on the efficiency goal of resource allocation. Perhaps, it would also be good to suggest the measurement of the equity contribution of the special zones (i.e., how special zones contribute to the equitable distribution of income—especially when the role of regional revitalization is being emphasized.) This is particularly important in Japan wherein the problem of increasing gap between the weak and strong of society is beginning to be a major social problem. It is also an important issue in a developing country like the Philippines, where income distribution was and remains to be a major problem.

* (Researcher, Sekiguchi Global Research Association)