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International Ecotourism Symposium Report
Ecotourism and Community Development:

Editorial Note

Meiji University started a number of professional graduate schools in 2004. They included the schools of Governance Studies, Global Business and Accountancy, in addition to the Law School. These became addendum to but separate from the existing academic and thesis oriented courses in the Graduate School of Meiji University. The new schools offer Master of Public Policy, Master of Business Administration, and Master of Professional Accountancy for the qualified students. Of these new professional schools, the Governance Studies is catered primarily for local elective officials and regional government staff members. The School provides professional and pragmatic trainings in public administration and management for these seasoned students. Originally the size of the Governance Studies was set at the total of 50 Japanese students per annum. However, over the years, the School has begun to accept many trainees from various transitional countries. A large number of officials from Malaysia have already been exposed to Japanese methods of government management at Meiji University. Currently, foreign trainees in the School include the students from Bangladesh, Congo Republiè, Indonesia, Kyrgyz, Laos, Malaysia, Myanmar, Philippines, Vietnam, and Laos. From 2014, a plan has been made to establish the Graduate School of Global Governance (tentative title) which is a Doctoral Program in the Governance Studies area.

The Governance Studies has a Japanese quarterly journal. Faculty members and a selected number of students have contributed manuscripts on various issues related to government and governance to the quarterly. In addition to the Japanese version, the Governance Studies has decided to launch an English edition of the journal. It is labeled as *'Meiji Journal of Governance Studies.'* The present volume becomes an inaugural edition, while this will subsequently be followed by a regular annual volume. In this inaugural publication, the Governance Studies is highly honored to have a contribution from Professor Jon Pierre of Gothenburg University, Sweden. Professor Pierre is one of the most renowned academics in the globe in the area of public administration and government management. His contribution to this initial volume has certainly helped enhance the quality as well as reputation of the journal. The School is highly grateful for his work and perseverance, since the schedule of the publication was delayed due to many on-campus impediments.

In addition to Professor Jon Pierre, the current edition includes the works of a number of the faculty members from overseas. One of them is from the United Kingdom, while others are from Italy and Russia. They have been teaching community affairs, environmental issues, 'local branding,' etc. in English. Their lectures often provide international perspectives and stimulate foreign trainees. The interactions between these foreign professors and foreign trainees seem to epitomize the degree of globalization at Meiji University in general and the Governance Studies in

particular. As the editor in chief of this journal, I would like to express my sincere appreciation to Professor Emeritus Akira Nakamura for his editorial help and the Professional Graduate School Office for their logistic support. The Governance Studies hopes that not only would this new edition help enlarge interests among academics and practitioners in Japanese public management, but the inaugural volume would prepare new dimensions to analyze the public sector management in various countries.

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New Public Management Reform and Governance Reform:
Tensions in Modernizing the Public Sector

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Abstract

Market-based (NPM) reform and governance reform have been implemented over the past couple of decades as parts of a larger project of modernizing the public sector. This paper studies the relationship between the two types of reform and how they relate to entrenched norms in public administration. Recent NPM reform has made inroads into those sectors of the public administration where law and public authority is exercised, triggering issues related to the legality of the public service and the norms and values that sustain that administrative role are gaining attention. Governance reform, too, challenges entrenched public administration values of equality, due process, and accountability. For the civil servant, a suggested strategy to deal with the contingencies created by the two types of reform is to emphasize legality and to revisit the core values of public administration.

This article reviews public sector reform in the western democracies with respect to the relationship between the objectives and instruments of reform on the one hand and traditional values of public administration such as due process, equal treatment, and legality on the other. Public sector reform over the past couple of decades can broadly be divided into two categories. One type of reform is the New Public Management (NPM) style market-based reform aiming at cutting costs and increasing cost-efficiency, flexibility, and customer satisfaction in public service delivery.

The other type of reform is governance reform aimed at improving exchanges between the public administration and its clients in terms of participation, transparency, and accountability (Peters, 2001; Suleiman, 2003). Governance reform thus includes the introduction of e-government, stakeholder arrangements, citizens' panels, user boards and similar innovations implemented to create new interfaces between the public sector and its clients.

While there is some kinship between public management reform and governance reform they also differ in many important respects (see Peters and Pierre, 1998). Perhaps the most striking difference is that management reform caters primarily to efficiency objectives while governance reform aims at creating new institutional and

procedural arrangements in order to strengthen democracy and public administration's contribution to democratic governance. Both reform strategies aim at empowering the individual, but public management reform conceives of the individual as a customer while governance reform empowers the individual *qua* citizen or stakeholder. We will return to this discussion in more detail later in the paper.

The article argues that both types of reform, albeit in different ways and with different outcomes, challenge fundamental norms of public administration such as legalism and due process (Rosenbloom, 1983; Lan and Rosenbloom, 1992; Moe and Gilmour, 1995). Since legalism manifests itself differently in different national systems of administration the article will elaborate this issue in some detail. Equality, legal security, due process, impartiality, and procedural fairness are all values derived from the core value of legalism. They constitute guidelines for administrative practice and define the relationship between the public administration, its political masters, and its clients.

The article will first briefly review the trajectory of public sector reform in the OECD countries. Since much of this development is a well-documented reform process (Pollitt and Bouckaert, 2004) we will not go into much detail on specific reform objectives and strategies. Instead the paper focuses on market-driven public management reform and governance reform, comparing their impact on public administration and the intra- and extra-organizational obstacles to such reform. This discussion leads on into a deeper analysis of the limits of market-driven reform and governance reform and the challenge they pose to the individual civil servant. A concluding discussion closes the article.

Public sector reform: Overview

Public sector reform in the western democracies, Asia, Australia, and New Zealand over the past couple of decades has been extensively reviewed (see, for instance, Aucoin, 1990; Bowornwathana and Wescott, 2008; Cheung, 2005; Christensen and Laegreid, 2007, 2011; Kettl, 2002; Peters, 2001; Pollitt and Bouckaert, 2004; Savoie, 1994; Suleiman, 2003). This reform represents an unprecedented wave of structural changes (with the creation of executive agencies as the most conspicuous feature), procedural changes, and new forms of state-client relationships. Reform has aimed at boosting organizational effectiveness and efficiency, customer satisfaction, managerial autonomy, the separation of policy and operative agencies, efficient allocation of resources through internal markets, and focus performance and results.

Interestingly, some of the forerunners in public management reform like Australia and New Zealand are now reasserting the role of political institutions and political control in order to address problems of fragmentation and lack of coordination triggered by reform. There is now the idea to "rebalance" or "reintegrate" the public administration and to situate public management more clearly in the larger context of democratic governance; while NPM significantly increased performance it also to some degree undermined the role of public administration in democratic governance (Duncan and Chapman, 2011; Halligan, 2007, 2010; see also Lodge and Gill, 2011).

Today, the map of public sector reform appears to be more scattered as the next steps of reform present a more heterogeneous picture compared to the 1980s or 1990s. The key contemporary challenge in many countries, particularly in Western Europe but less so in the United States, is how to design institutional forms of administration that reconcile the tension between the traditional, legalistic elements of public administration with values management-related values such as flexibility and customer satisfaction; this is the essence of "post-NPM" or "neo-Weberian" public administration (Christensen and Laegreid, 2007, 2011; Halligan, 2010; Osborne, 2010; Peters, 2001; Pollitt and Bouckaert, 2004; but see Lodge and Gill, 2011).

What is ultimately at stake here is the degree to which public service delivery and the exercise of legal authority constitute two distinctly different organizational tasks requiring different reform approaches, or whether they can both be modernized by the same strategy of reform. The point is not so much that catering to legalism and delivering public service are antithetical (or even different) organizational tasks but rather that the emphasis in public management reform on cost-efficiency potentially challenges due process, case assessment, scrutiny, and client integrity. A client using a public service is likely to want to have that service delivered swiftly and responsively. The same client facing a court charged with a criminal offence, on the other hand, will probably want the judge to act with nothing but the law as guidance. NPM was a reform strategy which would help the client in the first instance but not in the second (cf. Pierre and Rothstein, 2011). Table 1 outlines the principal differences between the exercise of legal authority and public service delivery.

As Table 1 shows, the two types of public administration tasks draw on quite different values and represent different challenges to bureaucracy. Law enforcement is situated in a framework of legalism and reciprocal rights. Legality refers to the legal order of the constitutional state and the manifestation of that order in the organizational structure and procedures of public administration (Beetham, 1991; Blichner and Molander, 2005: 6). Legality thus defines processes of deliberation and decision making as well as the rights of clients and civil servants in that process.

Table 1 Defining features of legal authority and service delivery in public administration

Law enforcement	Service delivery	
Key norms and values	Legality, equality	Service, managerialism
Model of client	Citizen	Customer
Key objectives	Legal security	Cost efficiency, customer satisfaction
Definition of rights	Group rights	Individual rights
Legal framework	Public law	Common law
Accountability	Upwards	Upwards and downwards

For the client, legality means that his/her interests, if legitimate, will be addressed without privilege or prejudice. Due process, which Rosenbloom sees as a manifestation of the legality of public administration, "is viewed as requiring procedures designed to protect individuals from malicious, arbitrary, capricious and unconstitutional harm at the hands of government" (Rosenbloom, 1983: 223). Thus, to the civil servant, legality defines the scope of public authority and also proper conduct and process at the same time as it safeguards the individual civil servant from illegitimate pressures from higher organizational levels or from clients. Legality is a key prerequisite for legitimacy, particularly where public administration exercises the law over individual clients. This is the essence of Weber's notion of the significance of legality as "the belief in the validity of legal statute and functional 'competence' based on rationally created rules" (Weber 1984: 34). Beetham (1991: 16) is of similar opinion when he argues that "the first and most basic level of legitimacy is that of rules" (Beetham, 1991: 16).

There are several interesting comparative differences in the significance of legality in public administration and the trajectory of reform. In the continental European and Scandinavian context, public administration systems are based in public law, commonly referred to as *Rechtsstaat* or what Max Weber (1946) called legal-bureaucratic systems. These countries have implemented market-based administrative reform less extensively than the "public interest" type of public administration found in the Anglo-American family of countries (Peters, 2001, 2003; Pollitt and Bouckaert, 2004). Legality is a feature of the Anglo-American "public interest"-based administrative systems, too, but these systems "can be characterized by emphasising management rather than law in the performance of public tasks. This should not be taken to imply that illegality is favoured, or even tolerated; it implies only that legal matters tend to be considered the province of experts rather than line managers" (Peters, 2003: 15). Thus, while legality is the predominant organizational norm in *Rechtsstaat* systems, it certainly matters in "public interest" systems, too, but there it co-exists with norms related to management (see Moe and Gilmour, 1995).

Public management reform: accommodating legal authority and service delivery

The general tenor of NPM reform has been that the public sector suffers from excessive political and hierarchical control which cripples flexibility, human resource management, cost-efficiency, and customer satisfaction (Hood, 1991; Peters, 2001). NPM was introduced to mitigate those problems and to create a more modern service-providing and customer-friendly public administration. The normative point of departure of NPM was to deny any specificity of the public sector. Management was seen as a "generic" organizational task; there do not exist any significant differences between managing public or private organizations (Osborne and Gaebler, 1991; Peters, 2001). Indeed, as Rosenbloom (1998: 16) critically points out, "those who define public administration in managerial terms tend to minimize the distinctions between public and private administration". By emulating service production in the private sector red tape would be cut, institutional and procedural

obstacles to efficiency would be removed, and service providers would be given more autonomy to engage their clients, or, as it were, customers (Osborne and Gaebler, 1992; Kettl, 2002).

The strategy of emulating private sector management as a means of public sector modernization has clearly worked better in some areas of public administration than in others. The strategy has made particularly successful inroads in labor-intensive service sectors where economies of scale can be generated (Pollitt and Bouckaert, 2004) but seems to perform less well in those administrative structures whose primary task is to exercise public legal authority (Pierre and Painter, 2010). Norms embedded in the legal framework of public administration like due process, equal treatment, transparency, political accountability, and legal security seem to clash with NPM objectives like cost-efficiency, depoliticization, and performance management. As Graham Allison (1986) pointed out some time ago now, there are fundamental differences between public and private organizations; while private service sector organizations specialize in adapting their products to market demand, public sector institutions are based in values derived from the legal and constitutional framework of public administration such as uniformity, impartiality, equal treatment, and due process (Christensen et al., 2007; Rosenbloom, 1983). As a result, emulating for-profit organizations cannot be implemented in all areas of public administration without some degree of value conflict.

Service delivery in the NPM reform perspective is primarily a matter of responding to clients or customer needs: *"People don't want standardized services any more"*, as Osborne and Gaebler argue (1992: 183; original emphasis). Public administration has addressed this challenge by allowing for a variety of service producers to compete for services, thus empowering the customer to choose the service which best fits her needs. This strategy overlooks the multi-task and multi-objective nature of public administration thus creating friction between service delivery and other organizational tasks such as enforcement of the law, policy implementation, regulation, and control and oversight; and service delivery (Christensen et al., 2007). The (historical) Weberian bureaucracy with its strict hierarchy and minimal discretion for the individual employee was not primarily designed to maximize cost efficiency but rather to ensure administrative efficiency and effectiveness in terms of control, rule following, equal treatment, and accountability (Gregory, 2011).

Market-based management reform, particularly performance management, is now increasingly implemented in those areas of the public administration sector that are primarily designated to implement the law, such as the police force, social welfare administration, and immigration agencies, causing a potential clash of the values related to law enforcement and service delivery. In social welfare matters, due process and client integrity are key administrative norms, yet several West European and Asian countries are currently introducing NPM reform in these sectors (Peters, 2010; for the US see Lamothe and Lamothe, 2009).

Another potential clash exists between the interests of the individual customer and the public interest; market-based reform emphasizes customer satisfaction as a means of adapting public service to the customer demands, but "the consumerist

model is based on a narrow perspective of what constitutes public accountability. By placing too much attention on customer satisfaction, important values of fairness and due process, which are fundamental to good governance and the citizenship status of individuals in their societies, may be undermined" (Brewer, 2007: 555).

How was it that NPM made its entry into the sphere of legalism and legality? NPM reform initially targeted the service delivery functions of the public sector because those were the apples closest to the ground; it was there that it could demonstrate its superiority compared to a Weberian model in terms of cost-efficiency and customer satisfaction. As NPM reform caught momentum, attention to the border between service delivery and law enforcement seems to have been gradually downplayed. As a result, the public sector in a number of countries is currently struggling to reassert the organizational distinction between public service production where NPM has proven highly successful, and the exercise of public authority where NPM objectives of efficiency and competition challenge norms of equity and equality, legality, and due process (Harrow, 2002).

Thus, while many of the continental European countries have wrestled with the issue of the extent to which public sector organizations can adopt values typical to private sector organizations, i.e. cost efficiency and customer satisfaction, one of the main issues in the United States appears to be the inverse question, i.e. to what extent for-profit contractors can adopt public sector values. This strategy would require extensive training of staff which might discourage potential contractors (see Adams and Balfour, 2010; Bozeman, 2007; Freeman, 2000; Moe and Gilmour, 1995; Pierre and Painter, 2010; Rosenbloom and Piotrowski, 2005; Sellers, 2003).

Governance reform: reinventing democracy?

Alongside NPM reform, western democracies have spent the past decade or so implementing an array of reforms aiming at reaffirming the political and democratic nature of public administration and to strengthen the public administration's contribution to governance. Thus, reform has aimed at improving (or facilitating) transparency; opening up new opportunities for popular participation; stakeholder governance arrangements (see Ackerman and Alstott, 1999); making public administration more accessible to the citizens through e-government; creating one-stop shops (or *maisons de services publiques* [houses of public service] in France or the notion of *Bürgernähe* [proximity to citizens] in Germany) providing a wide range of public services; and allowing users of services to engage in the management of public institutions. This reform has created new avenues of popular participation in public administration at the same time as it aims at cutting costs in the public sector, e-government being a case in point (Dunleavy et al., 2006). In addition, administrative or executive institutions in several countries are now increasingly engaging social partners in different forms of collaborative governance (Akkerman and Torenvlied, 2011; Fell, 2008).

Governance reform evolved under considerably less ideological horn blowing and banner waving than NPM reform. However, this type of reform has in many ways been just as challenging to public administration as NPM reform. Governance

reform entails potential tensions between on the one hand conventional administrative norms of due process and equality emergent ideas of new modes of popular participation and new interfaces between citizens. These ideas cater to classical norms like accountability and transparency but are now to be exercised in new institutional forms.

Governance reform has thus brought in a new category of actors into the public administration, bringing additional complexity to political and managerial leadership and line processes. Designing institutional models for stakeholder input on public services or users' boards has proven problematic, not least because of the clashes (perceived or real) between these new players and the traditional line command and control processes in the public administration. Governance reform models like e-government, stakeholderism, and user boards purport to promote accountability and transparency, but studies suggest that the outcome of reform in these respects has been rather mixed (Pollitt, 2003).

Public management reform and governance reform: Complementary or competitive?

This brief presentation of the main tenets of the two types of reform raises the question of the relationship between public management reform and governance reform. To what extent are the two types of reform positively or negatively related? Are public management and governance reform complementary or competitive?

It would appear as if there are elements of both complementary and competing aspects of the relationship between NPM and governance reform. Broadly speaking, both reform projects place process over institutions, interaction over command, performance over procedure, and outcomes over deliberation. The two reform projects share several key features. One important similarity is the empowerment of the individual and the development of new forms of exchange between the public administration and its clients. Governance reform has strengthened the position of the individual, either as citizens or as users or stakeholders. In NPM reform, individuals are portrayed as customers empowered by market-emulating choice among competing service providers.

However, there is a fundamental difference between empowering the individual *qua* customer and *qua* citizen since "customers are not a collectivity", as Suleiman (2003: 55) reminds us. More broadly, NPM reform has had a profound impact on the public administration's place in democratic governance. The managerialist perspective tends to shift organizational control and leadership from the political echelon to the managerial level of the organization, complicating political responsiveness and accountability. Indeed, critics argue that by implementing NPM reform, "democratic societies have been following a path that leads to undermining, or even destroying, one of the central institutions on which a democratic polity depends" (Suleiman, 2003: 18) and that "the culture and ideology of managerialism has introduced business values deep into the core of those services that remain nominally public" (Newman, 2007: 29).

Thus, from the point of view of the role of the public administration in demo-

cratic governance, NPM reform, as a neo-liberal reform project driven more by values than problems (Bozeman, 2007; Peters, 2001; Suleiman, 2003), represents a distinct change in terminology, organizational practice, and discourse. However, governance reform, too, disaggregates the collectivity in ways not too different from NPM reform. Also, its empowerment of individual clients does not sit very well with the idea of making the public service more responsive to political leadership and more accountable to elective office and the electorate.

This observation leads us over to another competitive relationship between NPM reform and governance reform. In terms of organizational management, NPM reform has redefined political control towards management by objective; brought in performance and results as key variables of management; and given operative managers extensive autonomy in the delivery of service (Bertelli and Lynn, 2006; Hood, 1991; Moore, 1995). In governance reform, by contrast, the focus is clearly on reaffirming the political nature of public administration by increasing responsiveness to political leadership, but also to individual citizens. Thus, while NPM reform seeks to shift the gravity of the organization downwards, to the level of operative managers, governance reform aims at strengthening the position of the political leadership and the citizens. The end result may well be what Peters and Pierre (2000) refer to as "mutual empowerment" where a public manager, empowered by NPM reform, encounters a citizen empowered by governance reform.

Both reform projects challenge the fundamental legal framework of public administration, albeit in different ways; NPM reform by pushing for market-based reform in areas of the public service where the law is enforced and notions of client integrity, legal security and equal treatment loom large, and governance reform by potentially privileging users and stakeholders over other citizens when designing public services.

These tensions between legality and the norms that have driven management and governance reform on the other tend to surface when reform is being implemented. The next section looks at the internal and external obstacles to NPM reform and governance reform. We distinguish between internal (intra-organizational) and external obstacles to reform.

Limits to market-based management reform

We will first address the issue of what have been the most important problems in implementing NPM reform with particular attention on the significance of traditional public administration values and norms.

Internal obstacles

One of the key internal obstacles to market-based reform has been the tension between uniformity and service adaptation. Traditional public administration emphasizes values like procedural justice and uniformity while NPM emphasizes customer choice and tailoring public service to clients' needs. The traditional norms of public administration serve core organizational functions; they define due process as

well as the organizational framework within which that process is embedded. Although NPM and "reinvention" advocates do not take explicit issue with those norms — Osborne and Gaebler (1992: xviii), for instance, claim to "believe deeply in government" — there are aspects of the legality dimension of public administration that must de downplayed in order for NPM-style reform to work (Lan and Rosenbloom, 1992; Rosenbloom, 1983). This includes value conflicts between traditional norms like equal treatment and due process on the one hand and NPM objectives like customer empowerment on the other.

Together with political control and accountability, legality has for long been the defining organizational norm of the public bureaucracy (see Weber, 1946, 1984). The specific organizational features designed to safeguard those norms vary across time and space (Cheung, 2005; Jabbra and Dwivedi, 2005; Kettl, 2002; Perry et al., 1996; Pollitt and Bouckaert, 2004) and legality will manifest itself differently in different jurisdictions and in different societal, political, and administrative contexts. Even so, however, these norms and values remain the *differentia specifica* of public administration; they define the bureaucracy in relationship to its organizational environment and provide objective and meaning to the public administration and civil servants, just as the bottom line or the market share are focal points of for-profit organizations (see Christensen et al., 2007; Newman, 2007).

Equally important, perhaps, is the role of legality in shaping the public servants' image of the public organization and of themselves. Legality, in this perspective, is not only an organizational attribute or the normative framework of the public administration. To the public servants, legality is what defines their workplace and separates it from private-sector organizations and NGOs, and it also defines an ethos and a moral compass (Peters, 2010). We do not know very much about how the NPM reform philosophy was received by civil servants in different jurisdictions. Historically in Europe, at least, the profession of a senior civil servant has been associated with significant social prestige. With the denial of public-sector specificity that the most ideologically driven NPM advocates have articulated, much of that prestige has disappeared. In the UK, Canada, and the Antipodes this reform was preceded by an intensive ideological campaign of "bureaucracy bashing", portraying public servants as over-paid, under-performing, and privileged (Hood, 1995; Savoie, 1994).

If performance, not procedure, is the key to societal support and acceptance of the public bureaucracy, groups of public servants would find it easier to accept that as a new organizational norm and objective. Indeed, a recent study on the British civil service suggests that the introduction of performance-related pay has not had a negative impact on the public ethos and more broadly that "the public service ethos appears to have increased rather than withered during the New Labour years. It would seem as if private sector forms of management are not necessarily incompatible with sustaining the public service ethos" (John and Johnson, 2008: 121).[1]

Thus, despite the attacks on the "privileged" public servants, the public ethos remains intact or is even strengthened. Recent reform may have led public servants to rediscover those values and to recast them into a set of values that is consistent

with today's public administration. It could also be that the relative success of the public service in many countries to adapt to a new set of goals and organizational strategies has boosted public sector morale. In any event, it appears as if the public sector ethos has been more resilient to external change than was perhaps expected. The public ethos is a set of deep-seated norms that are not easily changed.

External obstacles

Given that NPM reform opens up for private sector competition, market-based opposition to such reform should perhaps not be expected. But there are issues that relate to the logic of markets that, directly or indirectly, create such obstacles. Some public services are highly specific to the public sector hence there is no prior market experience for those services. For instance, while there is a private market for water and sewage systems maintenance that easily caters to public-sector demand, too, the private sector has far less experience, if any, in matters related to social welfare (cf. Lamothe and Lamothe, 2009).

Furthermore, market-based reform requires that there is a market which facilitates private sector actors engaging in public service, and a sufficient number of players in that market in order to create competition for contracts. In some areas of social service delivery, however, markets are too weak to offer any real competition, mainly because those services do not exist in the private market. Thus, what van Slyke (2003) calls "the mythology of privatization" holds that markets for public contracts always exist and that there are a sufficient number of competitors to warrant real competition.

Third, markets for advanced public services are potential high-risk areas for private actors. Those markets tend to have a very limited number of purchasers and purchasing requirements can be sufficiently challenging to allow only very few private companies to enter the market. The combination of a limited number of buyers in a market for highly advanced services provides powerful disincentives for private companies to enter that market. However, players who have the capacity to deliver those services, like research hospitals, find themselves in a position where they have a major influence on the prices for services.

Finally, in public service areas where contractors assume the role of street-level bureaucrats, for instance private security companies, there has been some concern that private contractors fail to deliver good services because of a lack of public values and public ethos. There are problems associated with granting an organization that lacks a public ethos or specialized training extensive rights vis-à-vis the individual. Bozeman (2007: 24) suggests that "the injection of market thinking into policies that have a history of 'high publicness' policies has affected these respective policy domains, sometimes unpredictably and sometimes perversely". After reviewing the experiences of reform in the U. S. Social Security system, contracting out in the defense sector, and the use of private prison facilities in some American states, Bozeman cautions against market solutions in areas where there is a strong public interest and where high-quality services require extensive training and knowledge about what it means to deliver public services (Bozeman, 2007: Ch. 2).

One conceivable solution to the problem is to have private contractors to provide education to their staff, giving them an introduction to public sector values and ethics. However, insisting that for-profit contractors provide such education would entail significant costs to those private companies which could lead them to decline contract for such specialized public services (Adams and Balfour, 2010; Freeman, 2000; Rosenbloom, 2000).

Further along this line of argument, purchasing services from private sector contractors requires that contracts regulate conditions of service, quality, assessment and evaluation, and "the rigidly constructed legal agreements between the government and private sector service providers can distort incentive structures, causing programmatic conflicts between management and staff" (Johnson Dias and Maynard-Moody, 2005: 189). This is the essence of what Johnson Dias and Maynard Moody call the "performance paradox" where "the same actions taken to achieve contractual results ironically produce negative program practice and poor client o utcomes" (Johnson Dias and Maynard-Moody, 2005: 189).

Limits to governance reform

The basic rationale of governance reform is to reaffirm and modernize the role of the public administration in governance. Much of that modernization was triggered by a decline in traditional representative structures, leading to problems for political steering and democratic accountability (Dalton and Wattenberg, 2000; Österud and Selle, 2006). As mentioned earlier, there is now a growing interest in bringing users of public services into the management of those services (Jarl, 2005); to empower citizens vis-à-vis the bureaucracy (Peters and Pierre, 2000); to give stakeholders more input on public services (Ackerman and Alstott, 1999); to open up for popular participation more broadly (Kettl, 2002); and to redesign the public administration so that it can engage social partners in collaborative strategies of governance (Ansell and Gash, 2007; Frederickson, 2007).

Internal obstacles

Public bureaucracies are characterized by strict command lines, accountability procedures, and regulated processes of deliberation and decision making. In addition, the public ethos and professional norms define the modus operandi of public-sector institutions. While the frequent critique of public bureaucracies as rigid and introvert organizations (see Osborne and Gaebler, 1992; Savoie, 1994) certainly has merit, some organizational continuity should be expected, given the public administration's role in state-society exchanges and democratic governance (Olsen, 2009; Peters, 2001).

This inertia would explain the tentative stance within the bureaucracy towards giving users of public services representation on decision-making bodies or according stakeholders a stronger say on the management of public sector institutions; as mentioned earlier, such reform interferes with traditional line command systems. Also, the administrative process is often conducted in camera and although

transparency has been an important consideration for a long period of time, bureaucratic deliberation has traditionally been secluded from the public. With citizens, stakeholders, users, and other societal actors roaming the corridors of the public bureaucracies much of that seclusion is lost. Indeed, there is now an expectation to engage in networks, partnerships and other contemporary models of collaborative governance. These governance arrangements open up the public decision-making process and due process and secluded deliberation become very difficult to sustain.

Furthermore, governance reform easily triggers power games in the public administration. Since many of the powers given to citizens or stakeholders appear to be offered at the expense of political parties rather than from senior civil servants, this reform alters entrenched power relations in the public administration. The senior level of the public service in many countries, most notably in France and Japan, has fostered a close relationship with elected officials which has given the bureaucracy substantive control over its organization (Cole, 2008; Krauss and Muramatsu, 1984; Rouban, 2008). Some time ago this scenario was summarized as the "administrative state" where senior bureaucrats, due to their continuity and expertise on both policy and organizational management, have acquired significant influence and autonomy in relationship to elected politicians (Aberbach and Rockman, 1985; Morstein Marx, 1957). It would probably seem ironic to the bureaucrats if they succeed in developing some degree of autonomy vis-à-vis elected officials only to find themselves captives of empowered citizens and stakeholders.

Thus, the main internal obstacles to governance reform derive from due process and representation and less to performance and equal treatment. Legality continues to pose a significant challenge to this type of reform, however, since the legal framework is concerned just as much with defining who are legitimate participants in public sector deliberation and who are not.

External obstacles

The inclusion of social constituencies into the public administration and service production has proven more complicated than was perhaps expected. One problem is related to the incentives for individuals and stakeholders to become involved; since such involvement can be resource-consuming there will have to be something to be gained from participation (Ansell and Gash, 2007). Material rewards are a complex matter since selective benefits potentially run against norms of equal treatment and due process.

Giving societal actors input on public administration decisions potentially jeopardizes those norms, too. User boards and stakeholder representation institutionalize societal participation but unless those institutions are given some degree of control participants might conclude that they are merely hostages of the public bureaucracy and scapegoats for unpopular decisions and actions (Jarl, 2005). Thus, the paradox is that unless societal actors are rewarded in some way or other for their involvement they are not likely to participate, yet the fundamental norms of public administration prevent precisely such rewards (see Rothstein, 2009). In addition, individuals and groups that choose not to become involved will use norms like

equality and legality to make sure that they are not penalized for doing so.

Another potential external obstacle to governance reform is related to the nature of non-governmental organizations as social partners in service delivery. The idea of bringing in civil society and NGOs into the process of public service delivery which is central to both NPM and governance reform hinges on the consent of those organizations to actually become involved (Ansell and Gash, 2007). The problem here has been that sometimes members of NGOs have doubts as to whether they should become involved since it does not sit well with the independent and autonomous nature of the organization. Thus, NGOs like the Red Cross or organizations that manage shelters for women or the homeless take some pride in the fact that they are freestanding organizations devoted to a social cause. To some members of those organizations, working under contract with the public administration would mean that they would de facto become involved, if not embedded, in public-sector service delivery and hence lose significant parts of their autonomy. Incentives are not the issue as much as the self-image and the autonomy of the organization.

Discussion: The next phase of reform

Having reviewed market-based reform and governance reform we must now ask what all of this means for the practice of public administration and for the individual public servant. What comes next? If both types of reform ignore significant parts of the legal framework of public administration, one conceivable next step of reform would be to return to some elements of the Weberian model of administration, as Johan P. Olsen and others have argued (Olsen, 2006; Osborne, 2009). Indeed, this is precisely what we see happening in a number of countries. Whether we conceive of those changes as a "rebalancing" or reintegration" of the politico-administrative system (Duncan and Chapman, 2010; Halligan, 2007, 2010) or as a development towards a "post-NPM" or a "neo-Weberian" public administration (Christensen and Laegreid, 2007; Pollitt and Bouckaert, 2004), it is clear that this rediscovery of traditional bureaucratic values also represents a recognition of legality as a framework of administration and a defining feature of the bureaucracy.

We must also ask ourselves how the tensions between legality, management, and governance manifest themselves at the micro-level, i.e. what they mean for the individual civil servant. Management and governance reform have had a strong impact on the traditional role of the civil servant. In the current model of administration, civil servants are expected to embrace these rather fundamental organizational changes while at the same time having to manage markets, engage social groups and uphold the law. Thus the somewhat paradoxical outcome of the reform efforts may well be a growing need for a strong public administration. Managing the new organizational contingencies that management and governance reform have entailed does not require weaker institutional structures but stronger. Similarly, engaging the market in public-private partnerships or collaborative governance is a challenge which does not mean downplaying the public component of that partnership but rather to clarify and articulate those values and only then to explore

synergies between those values and market values (Bexell and Mörth, 2010).

Conclusions

The basic argument of this article is that NPM reform and governance reform, often subsumed under the heading of administrative reform, are two quite different reform projects. They have evolved alongside each other as part of a larger project of modernization of the public sector, yet their agendas and objectives differ on several key points. NPM reform aimed at boosting cost-efficiency in service delivery and sought to accomplish that by emulating management models and practices from the private sector. In that process, a key requirement was downplaying the distinctive public and political features and the public discourse of public administration.

Governance reform, by contrast, took aim at the purportedly rigid channels of representation and brought in users, stakeholders, and clients into public administration. Unlike NPM reform, governance reform wanted to reaffirm the role of the public administration in governance, the argument being that while citizens as voters can influence the public sector on Election Day, they ought to have more continuous opportunities of articulating preferences in terms of service. The articulation of individual preferences is thus something which the two reform agendas have in common but they depart from different conceptions of that individual, NPM drawing on the customer model and governance reform advocating a reaffirmation of citizenship.

Governance reform shares a basic problem with NPM reform in that both challenge fundamental notions about equality among citizens. This raises a series of difficult questions about the reform design and objectives. To what extent can public management cater both to objectives of equal treatment and legal security on the one hand and to efficiency and customer satisfaction on the other? Is the performance of the public sector becoming more important than the legality of its procedure? To what degree do the new interfaces between the citizenry and the state through the public administration cater to objectives of democracy and accountability? Similarly, what has been the response of administrative structures and individual civil servants to the challenges triggered by these reform projects? These issues are likely to guide much of the future administrative reform agenda.

Public administration remains a pillar of democratic governance. It is very difficult to conceive of a democratic system without a legal and professional public administration. Recent reform has entailed massive challenges to these structures and the norms that sustain them. It appears, however, as if reform has not decreased the role of these values but rather, somewhat paradoxically, emphasized their role in defining public administration and the legitimacy and trust in public institutions.

Note

1   The point here is not that NPM sought to stamp out the public ethos, despite the rhetoric of reform; indeed, John and Johnson show that if anything the public ethos has been

strengthened during the Labour years in the UK. Instead, the argument is that by deny-ing a specificity of the public sector and introducing private sector objectives like effi-ciency, competition, and entrepreneurship into the public sector, the public ethos came under attack.

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Japan's Managing Style of Service Delivery:
Changing Center-Local Relationships
in Selected Public Policy Areas

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Introduction

In many countries, public trust in government has been in the decline. A number of compelling reasons account for this world-wide phenomena. Whichever country one visits, the public expects much from government. Tax payers want government to prepare day care centers for children, while the same groups of people hope the central state to extend additional streets and speedways. Various public demands on government thus see no limit. However, financial and human resources of government are limited. Public authority unfortunately would not be able to meet various rising expectations from different voters.

A growing gap therefore exists between what the public wants government to do and what government can do for the people. In many democracies, this discrepancy has been widening and often inducing highly volatile political conditions. However, the Japanese quite often indicate a distinctive public disposition towards government from other states. Similar to other countries, the taxpayers in Japan do not have much trust in government. Nevertheless, the degree of public distrust tends inversely correspond to the level of government. The people trust the local units of government more than that in the center. The Japanese seem to believe in neighborhood authorities more than that in Tokyo. In this presentation, the author first elaborates on the reasons for the rising worldwide public distrust of government. The issues will be discussed by using several empirical data. This is followed by the discussion of Japan's local units of government. The central to this inquiry is: To what extent local government services would be able to improve declining trusts in government among the tax payers.

I. General Contour of Local Government System in Japan

Japan is a unitary state with a centralized system of government. Although a sizable number of sub-national governments exist, the national bureaucracy commands significant power over the administration of the country's various public policies. Administratively, Japan is divided into a total of 47 prefectures. Prefectures are further divided into municipalities, towns, and villages. As of 2012, there

are 787 cities, 748 towns, and 184 villages. These entities classified as 'local govern-ment' (Chiho Jichitai or Chiho Dantai) in Japan have a political system which is different from that of national government. The national level has a parliamentary system, while the sub-national government maintains a presidential system of gov-ernment.

Each local unit has a popularly elected chief executive (called governor, mayor, or town or village chief depending on the level of government) and a unicameral legislative body. In these local governments, Japanese have a 'strong' mayor-council form. Chief executives in Japan's local entities are strong, because they control three significant powers, i.e., budget formations, personnel appointments, and vetoes. It is important to note that local elective offices in Japan are 'partisan.' There is no "non-partisan" tradition. In the local elections, political parties take active parts in recruiting and electing various candidates. Additionally, Japanese elective posts are not honorary but full-time positions with monthly remuneration and other financial supports. They are, therefore, required to commit their entire times to various ac-tivities at local political scenes. Law sets the tenure for all elective posts including chief executives at the sub-national level for four years.

One additional comment is called for about local elections in Japan. For many years, in Japanese political contests, a reversed co-relationship between the level of election and the rate of voter turnout often became conspicuous. Ordinarily as the election level went down, the rate of voter turnout would go up. In the council elections for towns and villages, the voter turnout often reached a 90% mark. In 1991, it recorded 87.18%, although the average turnout of the elections for the House of Representatives remained at around 70%. In the 1994 Lower House election, the turnout rate marked only 67.26%.

Table 1 Average Voter Turnout of Various Levels of Recent Elections

Level of Elections	Dates of Elections	Voter Turnouts (%)
House of Representatives	July, 1994	67.26
House of Councillors	July, 1992	50.07
Gubernatorial	1991	54.43
Prefectural Assembly	1991	60.49
Mayoral	1991	66.58
City Council	1991	65.39
Village and Town Chiefs	1991	86.40
Village and Town Councils	1991	87.18

One of the reasons for the high voter turnout in the town and village elections was attributed to a traditional mode of social behaviors in the rural sector. In these rural environments, social and neighborhood pressures played an important role especially at the time of various elections. The electorates in Japanese rural commu-

nities went to voting booth perhaps because of their strong sense of community obligation. They tended to vote essentially because they inclined to think their votes would generate tangible and immediate benefits more than their urban counterpart. However, the voter turnouts in different levels of election have unfortunately kept declining especially in the last two decades. The recent record in 2007 indicates that the rate of turnouts for gubernatorial election stood at 54.85%, while the rate for the town and village council elections likewise remained low of 52.25%. These statistics would probably reflect the declining trust in government among average Japanese voters.

Japan's local governments employ a total of 3.2 million workers, while the national government has 800,000 officials. The Tokyo Metropolitan Government, which is the largest in terms of the number of public employees, has a total of 204,270 officials. Of those, 99,215 are for general public services, while 64,099 and 40,955 are school teachers and police officers, respectively. These corps of public employees covers more than 12,000,000 residents in Tokyo. In the population size, Tottori Prefecture comes to be the smallest in the country with only 620,00 residents. Their welfare is looked after by 11,000 officials, of which 5,000 are for general services and the rest are either teachers or police officers.

II. Historical Backdrop: Traditional Mode of Japanese Public Management

Article 94 of the post-war constitution states that 'local public entities shall have the right to manage their property, affairs and administration and to enact their own regulations within law.' This local autonomy provision notwithstanding, the basic managing pattern of service delivery in Japan for many years remained generally centralized. For a long period of time, some of the pre-war legacies of strong central-administrative control persisted. One of the primary mechanisms was an administrative practice referred to as 'agency-delegation.' Agency delegation was an essentially jurisdictional term in Japanese public administration. Under this concept, for financial and most other practical purposes, the prefectural and local executives often became agents of the national government and were required to implement central policies on behalf of the national government.

Previously, a large number of social welfare and health policies fell under this category. In the case of the daycare nursing program, although it was a municipal service, the Ministry of Health and Welfare (renamed in 2001 to the current Ministry of Health, Labor and Welfare) generally prepared detailed guidelines for local governments. Local authorities were, subsequently, required to hire a fixed number of nurses for each daycare center they operated. Likewise, when a city government decided to build a new daycare center, the national government provides subsidies on a formula basis. These categorical grants covered a large portion of the construction cost; however, the recipient local authority had to conform to national standards for space and facilities. In the Japanese centralized form of governance, it was difficult, if not impossible, for local governments to initiate projects or programs which might exceed the established national precepts.

In 2000, the national government passed an important legislation, *the Law for the Promotion of Decentralization.* Consequently, the traditional model of center-local relationship was ostensibly at least eradicated. National services which were previously delegated to the local units of government without any legal foundation are all changed: all delegated services from the center are currently covered by relevant national legislations. This practice is termed 'Legally Bound Services.' In addition, a large number of services have been rearranged and transferred to the jurisdictions of local governments. The responsibilities of sub-national units of government have increased as a result. One major problem stays unresolved, however. Although various services have changed hands, the financial transfer has not been materialized. Monetary control of the central government has remained even to this date. Decentralization of the national coffer should stay as one of the major issues in Japan's center-local configuration.

In addition, Japanese central government controls local entities by several other means. The national government customarily sends its deputies to prefectural and major metropolitan governments as 'detachment (secondment) personnel.' National bureaucrats, more often than not, hold a number of important managerial posts in these local governments. Prefectural government usually provides two or three vice governors as appointive deputies to the elective governor. One of these appointive positions is, however, customarily assumed by a high-ranking bureaucrat from the central government. It is usually posted by a member of leading ministries. Likewise, it has increasingly become obvious that an elective governorship has, too, been taken over by former career bureaucrats of the national administration. According to the latest statistics, of 47 governors in Japan, 30 are former high-ranking public officials of various central ministries. Of different ministries, the Ministry of Internal Affairs and Communication predominates the list. Currently, thirteen governors of Japan are the former members of this important office.

As previously noted, the central government also keeps tight control over local finance by means of subsidies. The majority of local governments in Japan depends a little less than a half of their budgets on various grants from the central government. Japanese prefectural governments draw their major financial resources from two sources, i.e., resident tax and corporate business tax, while other local governments rely on both resident and real estate levies. The 2011 data demonstrates that local taxes accounted 35.8% of the total local finance, whereas both block and categorical grants made up of 33.1% of the total income of Japan's sub-national governments. Once the additional 12.6% of local bonds was added, the total picture of Japan's local finance becomes further discouraging. The outcome demonstrates their heavy reliance on outside sources.

The central government in Japan defends the use of different methods of control by noting that they would help equalize the qualities of welfare and health programs. If the national government would not be involved, the central bureaucracy contends that economically fragile localities perhaps would fail to provide adequate services for their residents. From the view of the central government, welfare and health programs ought to be standardized and uniform across the country. To as-

sure this, the national government believes that the central control is essential. In the eyes of the central administration, the equalization of different social services should stay as one of the top policy priorities of the country.

III. Japan's Service Delivery under Government Control

In Japan, a clear demarcation of function exists between the central and local governments. The national government has been concerned with foreign affairs and economic growth, whereas local governments have been dealing with almost all social policies. Anything to do with social justice and equity falls under the jurisdiction of local governments.

A look at the historical backdrop helps to explain this division of labor in public administration. Japan's central government has long been involved in the country's economic activities. Since the 1960s, the central government has engineered Japan's growth strategy, and this program has been at the top of the central administration agenda. However, the rapid economic growth produced a number of untoward effects including environmental degradation. Starting in the early 1960s, air and water pollution, vibration hazards and land sinks became problematic across the country. In many urban areas, citizens organized civil movements against the conservative Liberal Democratic Party and its growth-oriented policies.

These social upheavals generated significant political issues. For ten years following the late 1960s, for instance, the country witnessed the growth of extremely conflicted relationships between national and local levels of government. During these years, the socialists frequently rallied around an anti-pollution agenda, while they also promoted the expansion of social welfare programs. These issues proved to be popular in political campaigns; the socialists began to win elections, and took control of the chief executive offices in many cities in the metropolitan regions. In fact, from 1965 to 1975, the socialists monopolized both gubernatorial and mayoral positions from Tokyo down to Fukuoka, on the southern tip of Kyushu Island.

Seeing the changing public attitude in Japan, the governing Liberal Democratic Party was forced to alter their traditional pro-growth agenda. In 1972, for the first time, the LDP adapted the annual budget to expand social welfare and to curtail pollution. Ever since, local units of government have managed welfare programs and other social issues, while the national government has been responsible for economic concerns.

Three local government programs highlight and substantiate the successful and innovative delivery of various social services in Japan. Each local government in the country publishes a newspaper two or three times a month, gazettes of 7–8 pages listing various permanent and ad hoc services local government provides. For instance, a city may publish that it will sponsor a clinical seminar for those who need treatment for hyperlipidemia, or a neighborhood government may provide a class on a regular basis for those who seek information on children's upbringing. The content of these local bulletins is sophisticated and offers much different information to the residents.

Similarly, each municipality has a vans equipped fully with a bathing system. "A bath in the bus" is one of the outstanding services that Japan's local governments have been providing for many years. Once or twice a week, vans visit handicapped or elderly people, and aides help them to bathe. In other countries, similar services are probably available, but are most likely delivered by either religious organizations or non-profit volunteer organizations. This example shows how Japanese municipalities deliver important social welfare services.

A Bath in the Bus

Finally, in an increasing number of communities, the government distributes an electric pot with a sensor on the top. Once again, these gadgets are distributed to the handicapped and elderly, with the idea that the recipient will drink tea or coffee at least once or twice a day. To do so requires pushing the top of the pot to get hot water. As long as the top of the pot is pushed, the attached sensor does not function. However, if for some reason such as illness, nobody touches the top of the machine for a specific period of time, the built-in sensor sends a warning signal to a neighborhood government office, and the municipality immediately dispatches a social worker to the household.

Electric Thermos with Sensor
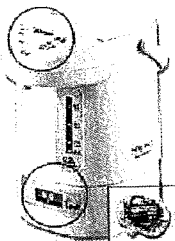
親の元気が，ポットでわかる
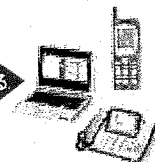
This ingenious idea has gradually been spreading to many other local governments. In some cases, in place of the electric pot, a sensor is attached to a toilet lever. The idea is the same: if no one flushes the toilet for a several days, the sensor in the toilet lever transmits a warning signal to a local office. These programs are locally initiated and carried out independent of national control, and local governments cover the entire cost. In some other services, the cost is shared by the central government; together, both levels of government try to improve the quality of various social services.

IV. Transformations of Japanese Management Style: Decentralization of National Powers

The argument in favor of the central control was probably tenable in the 1950s or 1960s, when Japan was struggling to provide basic social programs for the people. However, not only has the country become affluent, but it has also been able to supply varieties of welfare and health services for the majority of the population. Besides, the Japanese society has evolved to be too diverse and complex. Administrative needs in one locality do not always correspond to those in other sectors of the nation. In Tokyo, for instance, the demand for public daycare nursing facilities stays strong especially among young working families. In rural sectors, however, the out-migration of youths has been the problem. The median age of the citizens has substantially increased in rural communities. In these areas, local governments must prepare programs to cope with the aging of the population.

As these examples indicate, each locality has its own problems and needs. They are usually distinct and different from other communities. In these pluralistic circumstances, centralization appears inappropriate and even obsolete. Instead of centralization, decentralization should become the central guiding principle of Japan's public administration especially in the coming decade and beyond. This has developed to be one of the popular arguments among Japanese academics.

As much as professionals, a growing number of Japanese consumers begin to question centralization and to demand decentralization. A large number of Japanese shoppers view that centralization is the predicament. They hold that it has been impeding the market economies to function properly. By decentralizing national powers, the consumers hope that Japan's market failures will be ameliorated; at the same time, they also desire that the country will develop to be not a producer oriented but a consumer oriented society. Once this is achieved, the Japanese public expects that decentralization will become a major contributing factor to improve the quality of their living environments. From their point of view, the devolution of central powers will eventually help upgrade housing, park, and other provisions in many localities.

In response to these public outcries, national legislators, too, express their concerns about the centralized system of government. The idea of decentralization has, in fact, become one of the major rallying points for many political parties. Different forces from both conservative and progressive camps equally argue for the need of

decentralization of central administrative powers. Although this may be political expediency, in the light of these public outcries, the national legislators finally enacted the Law for the Promotion of Decentralization in 2000. Ever since, instead of centralization, decentralization has become the basic political format of the country. However, as indicated previously, the efforts has not so far included the financial decentralization. This remains one of the most nagging issues in Japanese political environments for many years to come.

Conclusing Remarks

The Japanese past experience indicates that decentralization is an extremely difficult task to achieve. There are usually many political and administrative impediments which would, often, work against the dispersion of powers. However, the Japanese ongoing experience seems to manifest that decentralization is inextricable from democratization of the country. From the late 1960s to the early 1970s, the Japanese witnessed the rise of progressive local governments in different urban communities. As often as not, these governments initiated various innovative policies long before the national government adopted them as nationwide programs. These local polities contributed much to the alleviation of pollution and the improvement of various health and welfare programs of the country.

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Megacities and International Competition:
Challenges for Global Powerhouse Tokyo

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1. Tokyo and Global Interurban Competition

(1) *Why Worry About Interurban Competition?*

The fast-growing Asian economies were among the first to recover from the global recession that arose in the wake of the US subprime loan crisis. This generalization does not necessarily apply to Japan, which has experienced a much slower and weaker recovery than most of its neighbors.

History has taught us that the relative strength of a nation hinges largely on whether it has a major metropolis that can serve as a nucleus of growth, and, if so, how that city compares with others around the world. A number of megacities in the fast-growing East Asian region are emerging as forces to be reckoned with, challenging even the major Western metropolises amid intensifying global urban competition.

The Japanese Ministry of Land, Infrastructure, Transport and Tourism (MLIT) made urban design in the age of globalization the focus of its 2010 **White Paper on National Capital Region Development**, for the first time subtitled *Looking at the City in Terms of International Competitiveness*. The growth strategy issued by the Minister of Land, Infrastructure, Transport and Tourism in April 2010 identified "housing/urban development" as one of the five sectors essential to growth. Although it would have been preferable to narrow the category to "major cities" and make it the top priority, MLIT may be commended for identifying the number one goal under housing/urban development as "dominating in global interurban competition as a world center of innovation."

Today there are more than 20 metropolitan areas around the world with a population in excess of 10 million. A decade into the 21st century, these cities are already defining the new millennium. The advancement of globalization is causing a dramatic increase in the influence and role of the megacity beyond the framework of the nation-state. This is the context in which "interurban competition" has emerged as a policy buzzword.

For Tokyo and other Japanese metropolitan centers to function as leading global cities under these circumstances, Japan must implement urban policies that keep pace with the breathtaking speed of global economic developments around the

world. The most urgent tasks we face in this connection are to upgrade our urban functions on the basis of a sound, reliable strategy and to endow our cities with the kind of appeal that can attract people and businesses from all over the world.

In modern times, it is Tokyo, far more than any other city, that has powered Japan's development. For this reason, it is vital above all that Tokyo survive as a robustly competitive global city.

(2) *The City and the Metropolitan Area*

The word *city* means different things to different people. This is why most people involved in urban policy tend to resist using the word without some quantifier based on spatial scale or urban activity.

During Expo 2012, which was held last May in South Korea's southern coastal city of Yeosu, there was much earnest discussion about the future of that city, whose population had already fallen to less than 300,000 despite its access to abundant natural resources. The challenges facing cities of this sort have precious little in common with megacity issues like urban sprawl and global urban competition. Similarly, during the bubble economy of the second half of the 1980s, at the height of the debate over Tokyo's concentration of population and urban functions, some people raised the point that Germany's cities had neither a concentrated pattern of urbanization nor much chaotic development. They were trying, however, to compare cities whose scales differ by a magnitude of at least 10, and metropolitan areas that differ by a magnitude of 20 or 30.

Most urbanites equate the city unit with their own range of urban activity. Yet the word "city" is most frequently used and understood as a discrete, circumscribed administrative unit.

However, when we look at a city from the perspective of urban activity, it is manifestly impractical to keep the discussion within the confines of the city-as-administrative-unit. It is only sensible to consider the entire area in which urban activity is concentrated.

In the case of Tokyo, there is a core of urban activity corresponding either to the three central wards, or the eight inner wards of Tokyo Metropolis. Tokyo as an urban center is widely equated with the 23 special wards that made up Tokyo-shi (city), before Tokyo Metropolis was created. Present-day Tokyo Metropolis also includes the vast Tama area stretching to the west. In terms of urban areas, **the fifth National Capital Region Master Plan** designates the area within a 30 km and in places up to a 50 km radius the "Tokyo urban area," while the "Tokyo area" consists of Tokyo Metropolis and three neighboring prefectures (Chiba, Kanagawa, and Saitama). An even larger unit, the "national capital region," includes four other prefectures (Ibaraki, Tochigi, Gunma, and Yamanashi). As thus defined, the Tokyo area has a population of 35 million, while the national capital region has a population of 43 million. Either way, it is a gigantic metropolitan area, far surpassing any other in the world.

Figure 1 provides a comparison among 10 of the world's major metropolitan areas, showing the population density within concentric rings 5 km, 10 km, 30 km,
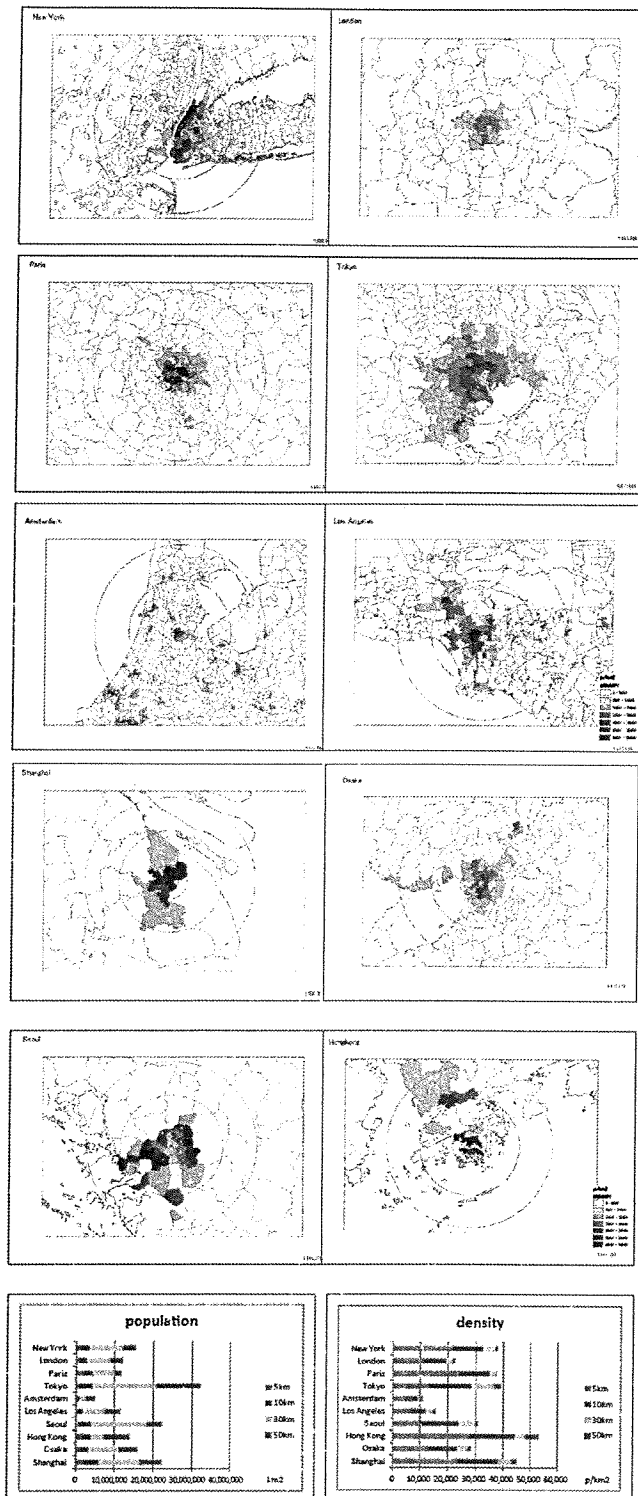
Source: Mori Memorial Foundation Institute for Urban Strategies

Figure 1 Population Concentration and Urban Sprawl around 10 Major World Cities

and 50 km from the city center. A study of these maps yields a number of interesting observations. First, we find that the major Western metropolitan area most closely resembling the Tokyo area in its population concentration pattern is that of Los Angeles (not New York or London). However, in terms of the extent of population concentration, even Los Angeles's urban area is only about one-third the size of Tokyo's. We also see from these maps that the spread of the metropolitan area is asymmetrical. In the case of Tokyo, the suburban Shonan district to the southwest extends for more than 30 km, creating a metropolitan area with a maximum radius of 50 km. In the case of Los Angeles, population concentration extends in a northwest direction, out past Beverly Hills.

Among the major cities of Asia, the metropolitan area around Seoul, though somewhat smaller, most closely resembles that of Tokyo in terms of population distribution in that more than half of the area's population is located within 30 km of the city center. What distinguishes the Tokyo area from every other metropolitan area is the fact that its population concentration extends out even farther, into the 50 km zone. The area through which this concentration extends corresponds fairly closely to the "Tokyo urban area" as defined in the **National Capital Region Master Plan**.

In terms of population concentration, then, the Tokyo metropolitan area is far and away the largest metropolitan area in the world. This raises some fascinating questions. How is Tokyo able to offer smooth transport to the city center for such a huge suburban population? How does this vast metropolitan area continue to function despite the failure of Tokyo's "business core cities" to develop as envisioned by Japan's land policy planners? What is the secret to Tokyo's world-class urban policies?

2.　Assessing Cities' Overall Strength

（1）　*City Rankings*

One way to grasp the international competitiveness of various cities is by using international criteria to rank them in terms of their relative strengths. Unfortunately, comparisons of metropolitan areas, as discussed above, have yet to be carried out except in relation to a few isolated criteria. This is because the spread of population concentration and urban area development does not translate directly into strength. In fact, the urban activity that goes on within a 10 km radius of the city center contributes most heavily to a city's overall strength.

There are currently a dozen or more global city rankings compiled and published by organizations around the world. Characteristic rankings among them are the MasterCard Worldwide Centers of Commerce Index and the Pricewaterhouse Coopers (PwC) Cities of Opportunity ranking, which focus on business functions. The MasterCard index compares 75 leading global cities, the PwC index 21. The City of London's Global Financial Centres Index ranks 50 cities by how well they function as centers of the international finance. A more unusual example of the genre is the ranking of more than 500 world cities issued by the Chinese Academy of Social

Sciences. Virtually all of these rankings, however, are motivated by a particular purpose and focus particularly on indicators related to that purpose, such as business.

Tokyo ranked number 3 in the 2007 MasterCard World Centers of Commerce Index. In the 2011 PwC Cities of Opportunity survey, it was 14th, even though it ranked among the top 10 in six of the index's 10 broad indicators. In the City of London's Global Financial Centres Index, Tokyo's ranking fluctuated in the range between 5 and 14 in the few years leading up to 2010.

In these indexes, Tokyo fails to make it into the top four in terms of specific functions, even though it is generally regarded as one of the world's four great cities. Moreover, in 2009 the Loughborough University Globalization and World Cities Research Network has placed only London and New York in its top tier of globally integrated cities, consigning Tokyo to the second tier, along with cities like Hong Kong, Paris, and Singapore.

The Global Power City Index (Mori Memorial Foundation Institute for Urban Strategies) is the first international ranking of world cities undertaken in Japan and was first released in 2008. I have served as the principal of the Working Group since the start. The GPCI differs from other rankings in that it stresses overall strength. Each year, it selects 35 major world cities and ranks their "comprehensive power" using multiple criteria and viewpoints. Cities are scored first using 69 indicators in six key functional areas of urban strength: Economy, Research and Development (R & D), Cultural Interaction, Livability, Environment, and Accessibility. In addition, they are assessed from the perspective of five "actors": the four major types of global users that power urban activity today — Managers, Researchers, Artists, and Visitors — as well as Residents.

In the 2011 GPCI ranking (Figure 2), we see the four major global cities of New York, London, Paris, and Tokyo clustered together at the top. Next comes a second tier of 20 or so closely ranked urban centers (mostly European and Asian), led by Singapore which is followed by Berlin, Amsterdam, Seoul, Hong Kong, Sydney, Vienna, and Zurich.

The GPCI ranking highlights two basic issues with respect to Tokyo's international competitiveness. The first is how Tokyo compares with the other top three global cities. The second is how Tokyo stands in comparison with the dynamic second-tier Asian cities that are "nipping at its heels."

(2) *Tokyo among the Top Four Global Cities*

Among the top four global cities, Tokyo ranks fourth in the GPCI, after New York, London, and Paris. Overall top-ranked New York is also number 1 in the category of Research and Development, but it does not receive high scores in all categories. In Livability, it ranks 21st, and in Environment, it is all the way down at number 30. London, which comes in second overall, also shows conspicuous weaknesses in individual areas, ranking only 33rd in Livability and 16th in Environment. On the other hand, Paris, which receives high scores in almost all indicators and ranks first in Livability and Accessibility, comes in only third overall.
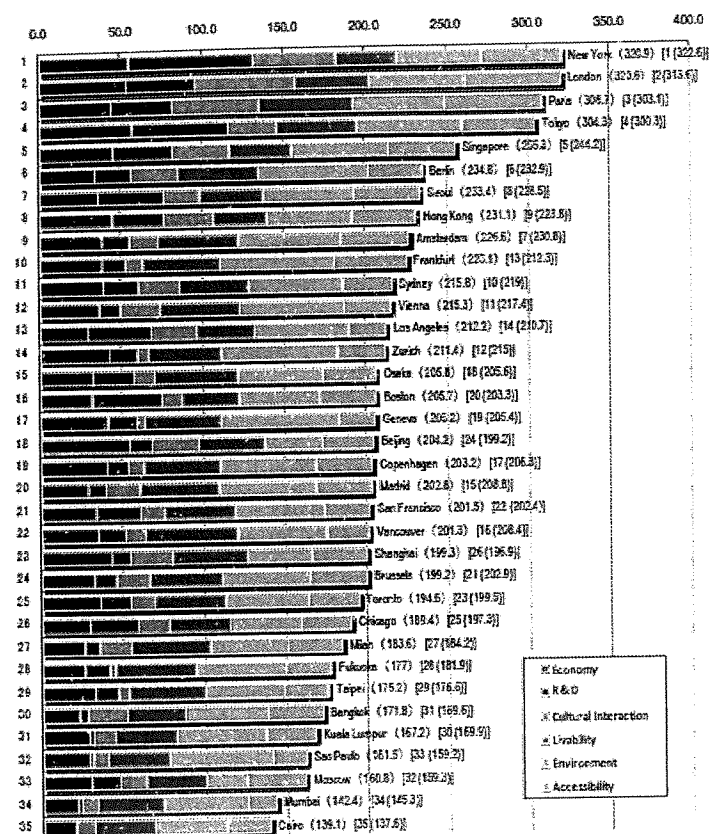
Source: Mori Memorial Foundation Institute for Urban Strategies

Figure 2   GPCI-2011 Top 35 Global Cities
(based on six key functions)

Tokyo approaches Paris in achieving consistently high scores in most areas. However, it has many weaknesses and fewer outstanding strengths than New York or London, as seen in the number of "standout" indicators (Figure 3). This is the reason it ranked below the other three cities in its combined score.

What the GPCI report tells us is that, to achieve the highest global city ranking, a city must not only possess one or more standout strengths but also rank above average in most components of urban success. While Tokyo has the basic capacity to go head-to-head with London and New York, it will have a hard time reaching the top slot unless it recognizes its relative weaknesses and adopts policy measures to overcome them.

Next, let us look at functional connections linking the top four cities. In Figure 4, we see that New York, London, and Tokyo all have strong interconnections in the finance sector, while Paris occupies a relatively marginal position in the global finance network. The tripolar structure of global finance that emerged and took root around the mid-1980s, during Japan's economic bubble, persists even today in the global network of corporate headquarters and branch offices in the finance industry. But clearly this is no guarantee that Tokyo will maintain its position among the
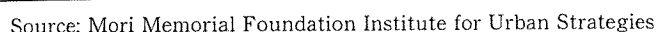
Source: Mori Memorial Foundation Institute for Urban Strategies

Figure 3   Indicator Distribution by Deviation Score (top four cities)
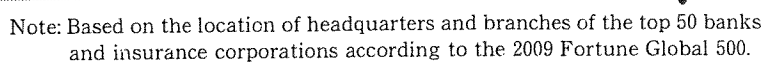
Note: Based on the location of headquarters and branches of the top 50 banks
        and insurance corporations according to the 2009 Fortune Global 500.
Source: Mori Memorial Foundation Institute for Urban Strategies

Figure 4   The International Finance Network in Major World Cities

world's top financial centers, since it has been losing ground to the other two major
centers in terms of volume and has already begun to cede its status as Asia's top
financial hub.

(3) *Tokyo and Asia's Other Top Cities*

Now let us examine the second-tier cities that are threatening to overtake Tokyo. Just behind the world's top four cities comes a group composed of Singapore, Berlin, Seoul, Amsterdam, Hong Kong, Frankfurt, Sydney, Vienna, Los Angeles, and Zurich. Since these cities are closely clustered in terms of overall score, their relative rankings could easily change over the coming years, but the fact that this tier includes five non-Japanese Asian cities is a testament to the region's rapid ascent over the past decade. Let us compare Tokyo with these other powerful Asian cities: Seoul, Beijing, Shanghai, Hong Kong, and Singapore.

A look at the air access network linking these five cities can help give us an idea of the relative level of urban activity in the region and in each city.

In terms of air travel, the major Asian cities are all more strongly linked with one another than with Europe or North America (Figure 5). Tokyo has the heaviest volume of air traffic with Fukuoka, Osaka, and Seoul, while Hong Kong's greatest interaction is with Taipei and Shanghai. Singapore's strongest air connections are those with Hong Kong, Kuala Lumpur, and Bangkok.

In other words, when it comes to air travel, Tokyo claims only limited dominion over the region's air traffic, with the emphasis on the northern half. Singapore, which dominates the south, is Asia's quintessential dynamic city, having enjoyed consistently fast-paced growth over the years. Accordingly, one critical factor in the development of interurban competition in the region will be Tokyo's relationship with Singapore, and another will be the relationships among Tokyo and the other main northern cities Seoul, Taipei, Beijing, and Shanghai.
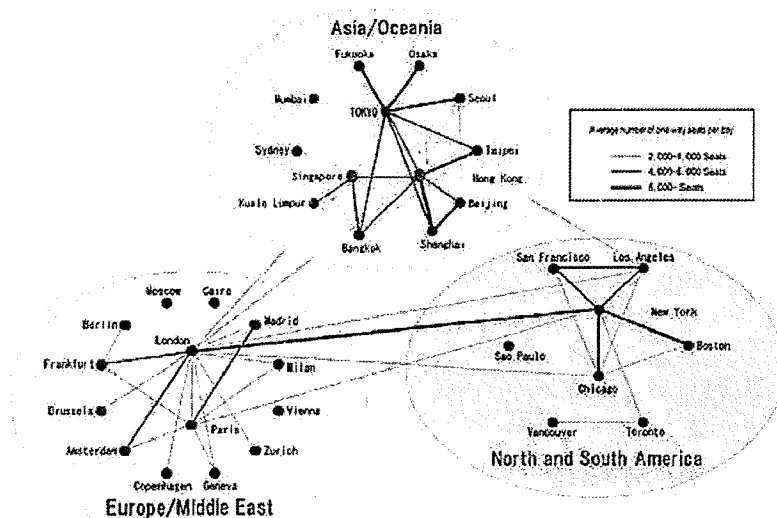
Note: Based on available seat capacity of arriving and departing direct passenger flights as reported by the Official Airline Guide for the first week of November 2008 (load factor not considered)
Source: Mori Memorial Foundation Institute for Urban Strategies

**Figure 5**   The Airline Flight Network in the Top 35 Cities

Hong Kong, which has the advantage of a geographical location between Singapore to the south and Tokyo to the north, enjoys strong connections with both cities as well as with cities located between them. In the years ahead, Hong Kong's functions could be taken over by Singapore on the one hand and Tokyo on the other, or it could make the most of its position between these southern and northern powerhouses. Then again, it could end up yielding its position to up-and-coming Shanghai. In either case, its fate will be intrinsically tied to the outcome of interurban competition in East Asia.

Now let us zero in on East Asia's four major cities, Tokyo, Seoul, Beijing, and Shanghai, assessing their linkages in urban activities from two angles: air travel as measured by seat capacity and finance-industry linkages as seen in the network of corporate headquarters and branch offices. Looking at both overall, we can say that interaction and functional integration among these four cities is not very advanced at this point.

Where air access is concerned, Tokyo has considerably more interaction with urban centers in the West and elsewhere in Asia than with these three cities. The East Asian city with which Tokyo shares the most air traffic is Seoul, yet in seat capacity this amounts to less than 20 percent of Tokyo's traffic with cities elsewhere in Asia and in the West.

When it comes to financial networks in the East Asia, Tokyo has more connections with Shanghai and Beijing than with Seoul. However, the connections between Tokyo and these Chinese cities amount to less than 10 percent of those between Tokyo and Western cities (see Figures 6 and 7).

If these figures are any indication of the interaction and functional linkages among the four East Asian cities that are currently being eyed as the region's potential major urban "rivals," it would appear that real interurban competition in the
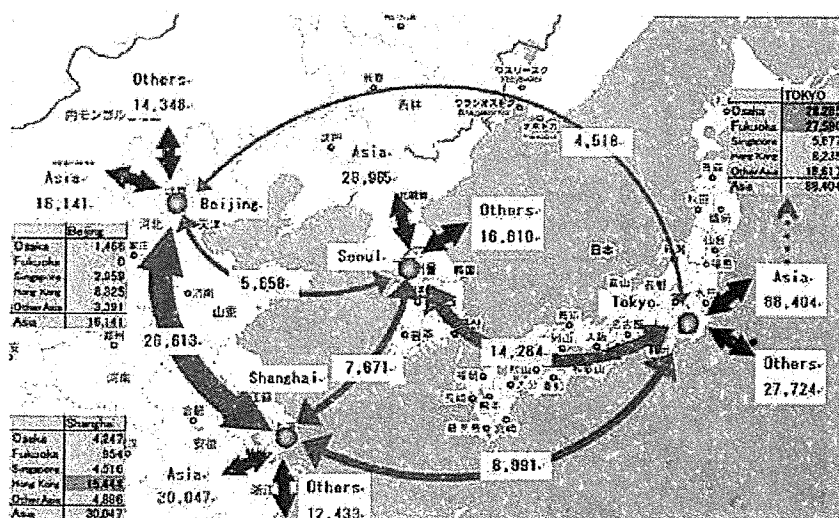
Source: Mori Memorial Foundation Institute for Urban Strategies

Figure 6 Total Seat Capacity of Passenger Flights
between Major East Asian Cities
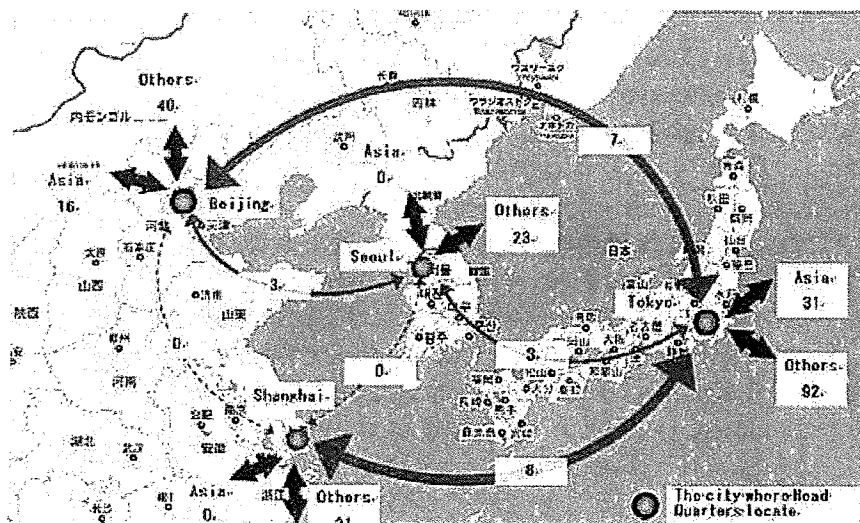
Source: Mori Memorial Foundation Institute for Urban Strategies

Figure 7   Network of Finance Industry Headquarters and Branch Offices
in Major East Asian Cities

region has yet to heat up.

3.   Tokyo's Challenges

(1)   *Tokyo Ranked Low by Managers*

In the GPCI's "Function-specific" rankings, Tokyo remains the world's top-ranked city in the category of economy, but four booming Asian cities are gaining rapidly, with Beijing currently at number 3, Singapore at number 5, Hong Kong at number 6, and Shanghai at number 8. Although these cities have made rapid strides in economic strength, their ratings in other areas remain relatively low, and this has allowed Tokyo to maintain a solid lead in its combined score (Figure 8).
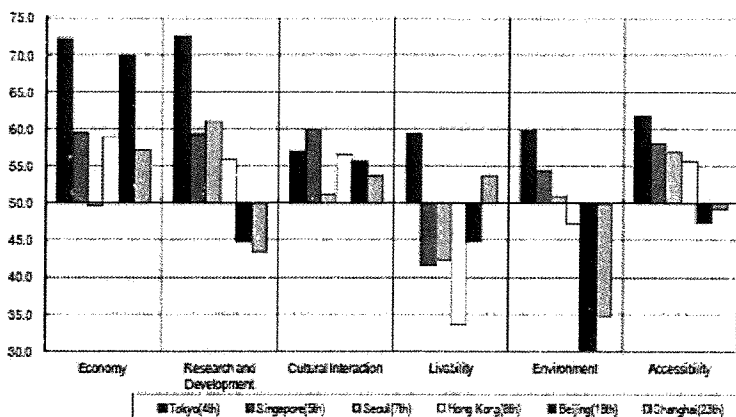
Source: Mori Memorial Foundation Institute for Urban Strategies

Figure 8   Asian Cities' GPCI Scores by Function

In the "Actor-specific" rankings, however, Tokyo ranked only number 8 among Managers — a group intimately involved with economic power — scoring behind Singapore (2nd), Hong Kong (3rd), Beijing (5th), and Shanghai (7th). Policymakers here need to take this state of affairs seriously because it signals that this most influential group of economic actors does not find Tokyo attractive despite its world-class economic strengths.

As Asia's dynamic cities continue to build capacity, we can scarcely doubt that their economic ranking will improve. One important indicator in this category is gross regional product. Future developments will depend to some degree on the strength of the yen, but if current economic growth rates were to persist unchanged, Tokyo would be overtaken by Beijing and Shanghai in 10 years' time, and by Singapore and Hong Kong in about 20. In short, there is a very real threat that another city will supplant Tokyo as Asia's top city over the next decade. Now is the time for Tokyo to think seriously about the steps it must take to avert this threat and begin implementing concrete countermeasures.

(2) *Analyzing Tokyo's Strengths and Weaknesses*

As mentioned above, the reason Tokyo is unable to rise higher than number 4 in the GPCI ranking is that it has weaknesses and too few "standout" indicators to compensate. Its most conspicuous shortcomings are in four indicator groups: "regulations and risks" in the Economy category, "accommodation environment" in Cultural Interaction, "cost of living" in Livability, and "natural environment" in Environment. Meanwhile, its strengths with a deviation score of 65 or higher are concentrated in 10 indicator groups, including "market attractiveness" in Economy (see Table 1).

| Tokyo's Strengths (65 or higher)		Tokyo's Weaknesses Compared to the Top Four Cities (50 - 65)		Tokyo's Weaknesses (50 or lower)	
Function	Indicator Group	Function	Indicator Group	Function	Indicator Group
Economy	Market Attractiveness	Cultural Interaction	Trendsetting Potential	Economy	Regulations and Risks
	Economic Vitality		Resources for Attracting Visitors	Cultural Interaction	Accommodation Environment
	Business Environment		Volume of Interaction	Livability	Cost of Living
Research and Development	Research Background	Livability	Working Environment	Environment	Natural Environment
	Readiness for Accepting and Supporting Researchers		Security and Safety		
	Research Achievement	Environment	Pollution		•
Cultural Interaction	Shopping and Dining	Accessibility	Infrastructure of Int'l Transportation		
Livability	Life Support Functions				
Environment	Ecology				
Accessibility	Infrastructure of Inner-city Transportation				

Source: Mori Memorial Foundation Institute for Urban Strategies

Table 1 Tokyo's weaknesses among the top four cities (50-65)

Tokyo's four basic shortcomings are well known. Its weakness in "regulations and risks" stems from the notorious economic barriers that make it so difficult for companies to locate and do business here. Especially significant in this indicator group is Tokyo's dismal number 33 ranking in corporate tax rates. People have been talking about the need to reduce corporate taxes for years, yet Tokyo's rates would remain far too high by comparison with its rivals in Europe and Asia even if the tax cuts were implemented. Tokyo also scored below average in the two indicators making up the "accommodation environment" group, ranking 14th in the total number of rooms in quality hotels and 15th in the number of hotels that take reservations in English. Cost of living is an issue not only for Tokyo but also for New York and London as well, but it remains an important factor when assessing Livability. In the two indicators used to assess "cost of living," the biggest problem is not so much average rents, in which Tokyo scores somewhat below average and ranks 20th, but "consumer prices," where it ranks 33rd. In "natural environment," where Tokyo inevitably suffers by comparison with other global cities, it scores below average and ranks 25th in central urban green areas. Despite this shortcoming, Tokyo scored highest of all the top four cities in the Environment category thanks to its advanced environmental policies.

Another reason Tokyo lags among the top four is that its deviation scores were 65 or higher in only 13 of the 69 indicators, fewer than any of the other three. New York, by contrast, had 17 standout indicators, and in those indicators its scores were particularly high.

It is worth mentioning that Tokyo's scores in each of its four problem areas would rise enough to catapult the city easily to first place overall if its airport were 30 minutes from the city center, its international flights equaled Singapore's in number, its corporate tax rate were around 25 percent (like London's) instead of the current 40 percent, and it had a larger international community.
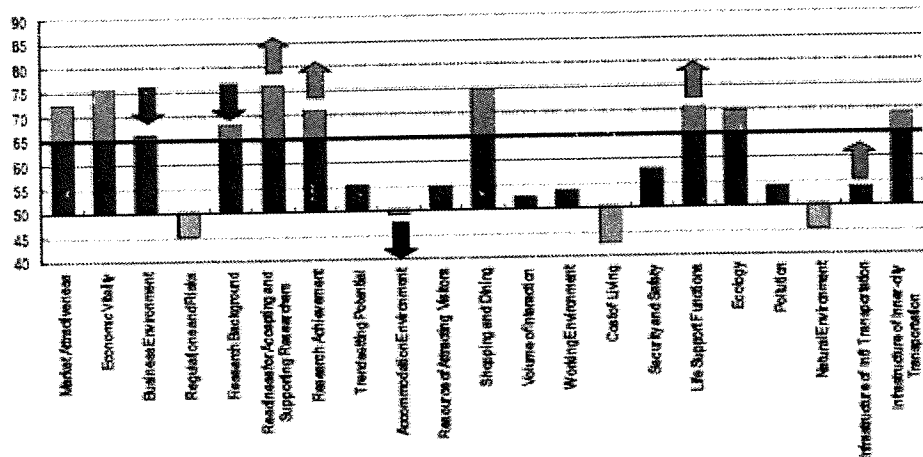
Note: Arrows indicate change from GPCI-2010.
Source: Mori Memorial Foundation Institute for Urban Strategies

Figure 9 Indicator Group Deviation Score Distribution (Tokyo) (GPCI-2011)

(3) *Indicators of Mediocrity*

Another reason Tokyo remains stuck in fourth place, in addition to the weaknesses discussed above, is that it achieves outstanding scores in too few indicators. At issue here are those indicators in which Tokyo does better than average but never scores above 65. In the area of Cultural Interaction, the indicator groups that fall into this category are "trend-setting potential," "resources for attracting visitors," and "volume of interaction." "Trend-setting potential" is determined by four indicators, including value of cultural-content exports, in which Tokyo scores below average and ranks 23rd. "Resources for attracting visitors," which has five indicators, includes the number of UNESCO World Heritage sites within 100 kilometers from the city center, in which Tokyo ranks 24th. With regard to the three indicators in the "volume of interaction" group, Tokyo has made progress in the size of its international community, rising to 10th place, but its score is still inadequate for a leading global city.

In contrast to its stellar rating in Economy and Research and Development, Tokyo ranks only 5th in Livability. This relates at least in part to mediocre scores in the "working environment" and "security and safety" indicator groups. In the "working environment" indicator group, it ranks as low as 26th in total working hours. Tokyo's scores in "security and safety" are all acceptable, but its overall rating in this area falls short of its image as a safe place to live because its scores in vulnerability to disasters and pleasant local communities, while above average, rank only 12th and 11th, respectively. In the category of Environment, Japan has managed to hold onto its 6th-place ranking, but it scores below average in two important indicators of "pollution": atmospheric concentrations of suspended particulate matter and nitrogen dioxide, where it ranks 20th and 18, respectively.

Another area where Japan comes out poorly compared with the other top three cities is in the "infrastructure of international transportation" indicator group in the Accessibility category. This group consists of four indicators, including access to an international airport from the city center and extent of international airline service. Tokyo's low ranking in the former indicator (26th) is an inevitable consequence of Narita Airport's remote location.

None of these are easy challenges to overcome. And yet, taken as a whole, Tokyo has strong fundamentals. In fact, in "infrastructure of international transportation" in the Accessibility category, it rose from 32nd to 26th thanks to the July 2010 launch of the Narita Sky Access express, which shortened travel time between central Tokyo and Narita Airport somewhat. Even so, the train takes 35 minutes to reach Nippori Station from Narita, and passengers need to transfer to reach the city center — a far cry from nonstop Heathrow Express, which takes travelers from the airport to Paddington Station in central London in 15 minutes. Fortunately, the large increase in international flights into and out of Tokyo's Haneda Airport since 2010 has mitigated this weakness somewhat. With some concerted effort to improve international access and loosen constraints on economic activity, Tokyo should have no problem challenging the other top three global cities.

Rank	Function	Indicator group	Number of indicators	Problematical indicators & rankings
1	Economy	Market attractiveness	3	• GDP growth rate, 32
		Economic vitality	3	•
		Business environment	5	• Unemployment rate, 17 Per capita office space, 23
		Regulations and risks	3	• Economic freedom, 16 Corporate tax rate, 33
2	Research & Development	Research background	3	•
		Readiness for accepting & supporting researchers	2	•
		Research achievement	3	• Recipients of major sci-tech prizes, 11
5		Trendsetting potential	4	• Value of cultural-content exports, 23
		Accommodation environment	2	• Number of hotels, 15
		Resources for attracting visitors	5	• UNESCO World Heritage Sites within 100 km, 24 Stadiums, 16
		Shopping & dining	2	•
		Volume of interaction	3	•
5		Working environment	2	• Total working hours, 26
		Cost of living	2	• Average rent, 20 Consumer prices, 33
		Security and safety	4	• Vulnerability to disaster, 12
		Life support functions	5	• Physician to population ratio, 19
6		Ecology	4	• Renewable energy ratio, 28
		Pollution	4	• SPM concentrations, 21 NO_2 concentrations, 18
		Natural environment	2	• Green areas in city center, 25
4	Accessibility	Infrastructure of Int'l transportation	4	• Travel time from city center to airport, 26
		Infrastructure of inner-city transportation	4	• Taxi fares, 23

Source: Mori Memorial Foundation Institute for Urban Strategies

Figure 10   Tokyo's Problematical Indicators and Rankings

4. How to Make Tokyo a Competitive Global City

(1) *Assessing the Problem*

Tokyo stands out from the rest of the world's top cities in a number of important features, including the way its city center brings the political, administrative, and private sectors into close proximity, its highly efficient public transportation network, the glamor and variety of its highly concentrated commercial and cultural resources, the quality of its unique social systems, its technological prowess, and its low crime rate. However, by most estimations, Tokyo's competitiveness as a global city has slipped in the years since the collapse of Japan's economic bubble. At this time, as we have seen, Tokyo is in no position to challenge New York for the top honors.

Why is it so important to strengthen Tokyo's competitiveness on the world stage? The answer is that no country can compete internationally unless its foremost urban center can — and for Japan, that means Tokyo. Simply put, Tokyo's role is qualitatively different from that of any other city in Japan. Enhancing Tokyo's international competitiveness will serve as a national driver for creating wealth and contribute greatly to the vitality of other Japanese cities and regions. By virtue of its uniquely advanced infrastructure and economic resources, Tokyo can act as an international portal linking Japan and the rest of the world, as well as a domestic gateway linking all parts of Japan — but only if Tokyo secures its position as a top-ranking global city. To do this, it must act quickly to maintain its lead over the

other Asian megacities that have made such rapid gains in recent years.

British urban planner Charles Landry, originator of the "creative city" concept, has called for creative urban innovation grounded in the historical and cultural heritage of each city or region. American urban economist Richard Florida stresses that cities need technology, human resources, and tolerance in order to prevail in the competition for creative talent. What this means is that cities must continuously work to nurture culture, international interaction and integration, and high-value-added industries. In the writings of these urbanists, one senses that the homogeneous urban-development criteria of the twentieth century, under which urban prosperity was equated with spatial development, may be giving way to a future in which the world's top urban centers are cities whose diverse values and functions facilitate the close and dynamic interaction of historical, cultural, technological, and human resources.

The good news is that Tokyo already has many of the individual elements that go into a creative city. However, to make these factors work together organically requires a sophisticated spatial and physical framework, as well as a framework of flexible systems, and Tokyo has serious deficiencies in this regard. Two of its most critical deficiencies are in the area of global connectedness (ease of international access) and livability (good living and working environments in close proximity to one another). These shortcomings are apparent in Tokyo's GPCI rankings. For example, Tokyo ranks 26th in travel time from the city center to the closest major international airport and 20th in the number of direct international flights — two important indicators of global connectedness. In terms of livability, it ranks 33rd in consumer prices and 20th in average rents, the two basic indicators of "cost of living," and 17th in number of physicians per resident, a basic indicator of "life support functions." These are not rankings consistent with a leading global city. Only by addressing these issues can we build a brighter future for Tokyo and for Japan as a whole.

The key to urban success henceforth will lie in the ability to renew and remake the city center, make it appealing to overseas investors and business managers, and boost the city's international population. In mature nations, system reform and urban space renewal are urgent issues to facilitate better international interaction and integration and nurture high-value-added industries.

(2) *Depopulation of Urban Areas and Repopulation of City Centers*

As the focus of urban development worldwide returns to the city center, what is occurring today in the Tokyo region, the world's largest metropolitan area?

During the economic bubble of the 1980s, land prices in central Tokyo skyrocketed, forcing people who worked in Tokyo to seek housing in the suburbs. This led to the phenomenon of suburbanization, in which development sprawls farther and farther outward, creating a vast megalopolis. A major focus of the migration out of Tokyo was the suburban development and redevelopment areas defined in the National Capital Region Development Plan, but the development boom quickly spread as far as central and southern Saitama Prefecture and northern Chiba Prefecture. At

the same time, the spreading metropolitan area began to display a doughnut pattern of development, with residential population increasingly concentrated around the periphery, while fewer and fewer people lived near the city center.

However, the bubble burst, and by the late 1990s the situation was changing. Between 2000 and 2005, population trends in many Tokyo neighborhoods, including the city center, shifted from a steady decline to a marked increase. Meanwhile, in the outer suburbs of central Saitama, as well as suburbs like Kisarazu and Inbanuma in Chiba Prefecture, the population began to decline. In a matter of 10 or 15 years, the seeming unstoppable population growth of the outer suburbs had given way to a downward trend. Recently there has been a slight rebound in the Shonan district and along the Hokuso Line in northern Chiba Prefecture, but in the remote suburbs more population is moving toward the city center and some suburbs are even experiencing decline.

How much can we reasonably expect central Tokyo's population to grow? We can glean some hints from first *Urban White Paper on Tokyo Metropolis*, released in 1991 during the economic bubble. In order to track population trends, the report compared daytime and nighttime population density in Tokyo's three central wards, its eight inner wards, and all 23 special wards. It did the same for New York City's central business district in southern Manhattan, Manhattan as a whole, and New York City overall. In the case of London, it used the three central boroughs, the six innermost boroughs, and all 12 inner boroughs plus six outer boroughs (rather than all of Greater London, which would have covered too much ground). For Paris, it used the nine central arrondissements, Paris as a whole, and Paris plus the three
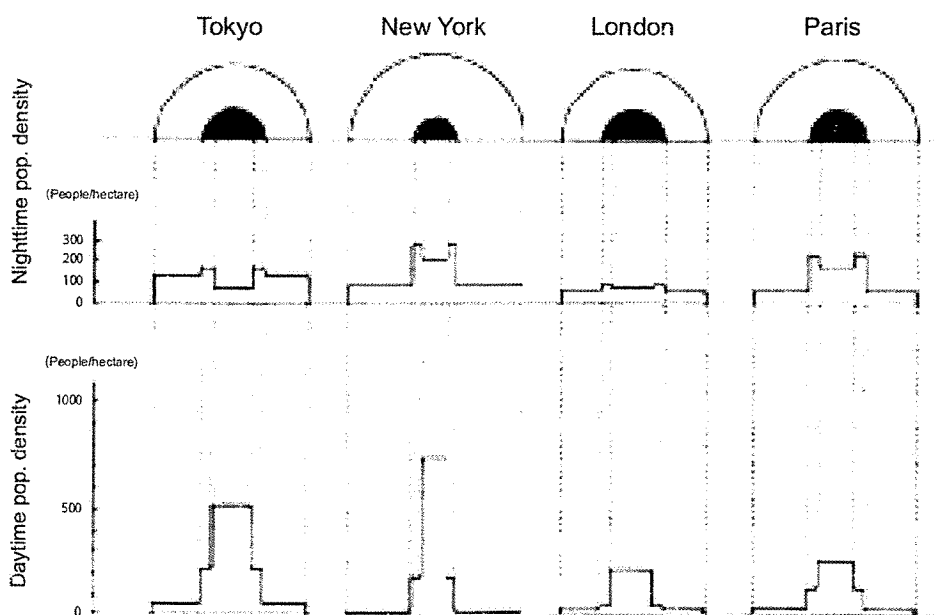
Source: Tokyo Metropolitan Government Bureau of City Planning, *Urban White Paper on Tokyo Metropolis 1991*

Figure 11   Inner-City Population of Major Cities (1990)

bordering departments. This comparison yielded some revealing statistics (Figure 11). According to the report's compilers, the nighttime population of Tokyo's three central wards was around 50 people per hectare, while its daytime population was about 500 per hectare. In other words, the ratio of nighttime-to-daytime population was 1 : 10. In New York, the corresponding ratio was 1 : 5; in London, it was 1 : 3; and in Paris, it was almost 1 : 1.

The potential size of central Tokyo's permanent population thus grows depending on whether we take New York, London, or Paris as a model. Already the nighttime population density of the three central wards has risen from 50 per hectare during the bubble to 60–70 per hectare today, bringing us closer to the New York model. Achieving the Parisian model would involve a much more dramatic increase in the nighttime population of the three central wards. Still, if we assume a daytime population of 2.5 million and a nighttime population of 400,000 in the three central wards, there should be capacity for another 2 million residents in the three central wards of Tokyo, although this calculation does not take into account differences in the working and living infrastructures.

In short, in view of the ongoing trend toward repopulation of central urban districts and the reality of intensifying interurban global competition, it seems clear that Tokyo needs to link these two givens in a plan for strategic redevelopment of the city core that details how and by when it will complete the redevelopment.

(3) *Priority Policies for New Growth*

Tokyo needs to move quickly to address its competitive weaknesses. How will it go about closing the gap with other major world cities in respect to global connectedness and livability? How does it intend to nurture creative industries? The Tokyo Metropolitan Government (TMG) is attempting to answer these questions with its blueprint for a Special Zone for Asian Headquarters. The initiative takes advantage of the central government's program of incentives for encouraging urban redevelopment through "priority urban redevelopment areas" and "international strategy comprehensive special zones." In January this year, the Cabinet Office released its latest list of designated areas and zones.

TMG's Special Zone for Asian Headquarters blueprint sets forth a number of important measures to address Tokyo's competitive weaknesses. Especially noteworthy are the proposed tax incentives, which would offer corporations the maximum exemption on local corporate taxes (such as the corporate enterprise tax). According to Tokyo authorities, the TMG's own tax breaks combined with "special zone" tax incentives put in place by the central government would lower the effective corporate tax rate from 40.7 percent to 28.9 percent. This would at least eliminate the negative of the tax rate as it would close the tax gap with other Asian cities, whose corporate tax rates range between about 15 percent and 26 percent.

Another important element of the plan is one-stop business services in English. Under this initiative, English-speaking "concierges" would provide foreign entrepreneurs with access to various professional services — lawyers, certified public accountants, administrative procedure specialists, judicial scriveners, tax accountants,

certified social insurance and labor consultants, the Small Business Promotion Agency, and so forth — as needed to help them navigate the maze of permits and other red tape involved in launching, incorporating, and running a business in Japan. In addition, English-speaking "living environment concierges" would offer international business leaders and their families one-stop consulting services pertaining to life in Tokyo, including information on housing, shopping, healthcare, and education. The plan also calls for deregulation by central government agencies, such as the Ministry of Education, Culture, Sports, Science and Technology and the Ministry of Health, Labour and Welfare, to facilitate the establishment of elementary and junior high schools that teach classes in English, increase the number of doctors who can handle non-Japanese speaking patients, and so forth.

In Singapore, an entrepreneur can have a new business up and running in just three days by submitting all necessary paperwork online via the Economic Development Board's one-stop business-startup website. In fact, Singapore puts Tokyo to shame in many ways, including its 18 percent corporate tax rate, its participation in wide-ranging international agreements for market access, government spending on research and development subsidies, and its high-standard living environment for international residents. One must assume that Tokyo has finally resolved to meet this challenge in earnest. By attacking onerous regulations and providing generous support in the form of preferential tax measures, fiscal policies, and financing, it hopes to create the kind of environment that will draw foreign companies to Tokyo. The plan has established a 2016 goal of attracting at least 50 new overseas-based Asian regional headquarters or R & D centers and at least 500 other foreign business operations. The industries eyed are those with the most potential to aid the city's growth: information and telecommunications, medical and chemical, electronics and precision instruments, aviation, finance and securities, media content and creative industries, and so forth.

This blueprint gives evidence of a strategy to enhance Tokyo's livability and
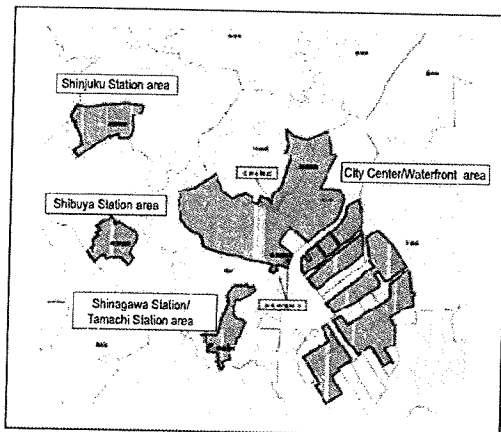
Source: Urban Renaissance Headquarters

Figure 12   Priority Urban Redevelopment Areas
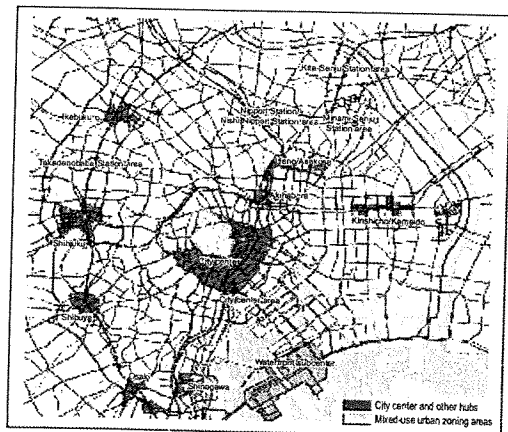
Source: Tokyo Metropolitan Government Bureau of Urban Development

Figure 13   Hubs in Tokyo's "Center Core"

nurture creative industries, but the problem of global connectedness cannot be solved by local policies alone. Thus far, the strategy for addressing the latter issue is unclear.

(4) *Priority Areas for Enhancing International Competitiveness*

Tokyo's hopes for enhancing its international competitiveness focus on specific districts that have been designated international strategy comprehensive zones by the central government and thus made eligible for full support to meet the comprehensive and pioneering challenges of international competition, including special regulatory and tax exemptions and fiscal and financial assistance. Most of these areas are also designated "priority urban redevelopment areas." They also largely coincide with the "center core" area designated under the TMG's 2001 City Planning Vision. Under this plan, city-center functions were to be distributed systematically within the center core. The center core consisted of the original city center, previously designated subcenters, and several new hubs, all of which were to compete and cooperate with one another in carrying out these functions. Ultimately, the plan designated about a dozen urban nuclei, including the existing subcenters and newly designated hubs (Roppongi, Shinagawa, Tameike, Akihabara, etc.), each assigned its own narrowly defined function. The notion of delineating a "center core" roughly the area of the city of Paris and revitalizing it by developing the diverse characteristics of a dozen hubs is surely unprecedented in the world of urban planning. Only in Tokyo, with its metropolitan area of almost 35 million people, would such a concept be thinkable.

In the 2009 revised version of the TMG's City Planning Vision, these ideas are modified somewhat by the introduction of two zoning categories, "city center and other hubs" and "multi-use urban zoning areas." At this point it is clear that the plan's biggest challenges have to do with its high expectations for growth, the problem of maintaining a balanced overall urban structure, and the scheduling of redevelopment projects in special zones. Among the priority urban redevelopment areas, there is no doubt that the City Center/Waterfront area is the key to maintaining international competitiveness. But what functions should the various other hubs perform, and at what level? This is a question with important implications for the balance of Tokyo's urban structure as a whole.

The hubs of the so-called center core overlap broadly with the priority urban redevelopment areas, but there are notable inconsistencies, particularly with regard to the old subcenters. While the Ikebukuro, Ueno-Asakusa, and Kinshicho-Kameido subcenters are all designated as hubs, they are not within the priority urban redevelopment areas, and this is likely to lead to a development gap between these and other districts.

On the other hand, the newly designated hubs are all within the priority urban redevelopment areas (either the City Center/Waterfront area or the Shinagawa Station/Tamachi Station area), as well as the TMG's "city center and other hubs" and "multi-use urban zoning areas." This all but ensures that these hubs within the center core will be the focus of development oriented to enhancing Tokyo's

international competitiveness. To be sure, the Shibuya district is expected to undergo a makeover in connection with construction to move the Toyoko Line underground, but the key to Tokyo's international competitiveness surely rests with the City Center/Waterfront area. Its redevelopment will represent a new and concrete phase in the transition from the multi-centered urban design of the past to a new central urban plan structured around a large center core — extending to the existing subcenters and the new hubs — and a new waterfront city center.

Russia's Energy Governance in Transition:
Explaining New Direction

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Abstract

Traditionally, Russian energy policy has been examined upon International Relations theory. Meanwhile, Russia's multirole status in the energy arena — as a producer, consumer, exporter, importer and a transit country — demands a more nuanced analytical approach. This study furthers research on Russia's energy policy paradigm change emphasizing the complexity of Russian energy policy, its increased diversity over space and flexibility over time. A range of shifts in Russia's energy policy can be interpreted as a pragmatic response to the constructive or vice versa challenging developments in energy policy environment. The paper presents the specifics of Russian energy governance transition. To exemplify the pragmatic course of energy governance transition in Russia, energy relationship with China is examined. The pros and cons associated with this transition are discussed.

I. Introduction

The existing in the scholarly literature approaches to energy advance various facets of the subject. The division can roughly be made between the work stemming from the economic pole with the emphasis on market properties of energy as a common good with cooperative and integrating values incorporated; and a vision where energy is perceived as a political good with security and conflict being its prime denominators.

Research that perceive energy resources as a trigger for conflict conceptualize energy upon the notion of security. There are studies on security of energy supply, zero-sum game analysis of pipeline geopolitics, rivalry spurred by energy resource development in certain regions, such, for instance, as the Arctic and the Central Asia (Clarke, 2007; Klare, 2008; Whist, 2008; Blank, 2009; Stern et al., 2008; Baev, 2010; Chow et al., 2010, etc.), etc. Energy is often examined as a powerful instrument of a country's foreign policy, where it is being exploited as a diplomatic tool. Most vividly this perspective is represented by studies on Russian energy policy toward the EU, former Soviet republics in East Europe and to a degree the Central Eurasia (Goldman, 2008; Balmaceda, 2008; Minkoff, 2009; Perovic et al., 2009; Rangsimaporn, 2009, etc.). There is also an increasing number of works on energy-fuelled mercantilism, especially, the one of China (Ibraimov, 2009; Khodzhaev, 2009, etc.).

Less voluminous is a body of study incorporating market logic (Naill, 1992; Hodge et al., 2009; Tabata, 2009; Gaddy and Ickes, 2009, 2010; Bhattacharyya, 2011; etc.) and advancing the notion of cooperative nature of energy (Finon and Locatelli, 2007; Stanislaw, 2008; Shadrina, 2009; von Hippel et al., 2011, etc.). There is an emerging stream of inquiry somewhat adjacent and advancing the economic perspective of energy. After the 2008 crisis, reflecting the changes in policy environment and government's overall regulative role, energy research agenda has expanded to incorporate new approaches and discourses of governance (Kuzemko, 2011, Goldthau, 2011, 2012, etc.).

Russian energy studies have been largely lopsided represented by the accounts of mainly normative perspectives within International Relations theory. In her recent research (Shadrina, 2010a, 2010b), the author of this paper argued that Russia's multirole status in the energy arena — as a producer, consumer, exporter, importer and transiter — demands a more nuanced analytical approach reflecting Russian energy policy's diversity over space and flexibility over time. Over the 2000s, the strengthened profile of Northeast Asia has become particularly noticeable in Russia's energy policy. Within this direction, the ongoing shifts in Russia's energy policy vis-à-vis China and a specific pattern of Russian-Chinese energy cooperation inform a research inquiry of particular interest. This paper discusses the transition of Russian energy policy exemplyfing the pragmatic character of the changes through the Russian-Chinese energy relationship.

II. Energy Governance Transition in Russia

(i) *Structural Shifts*

Although it was intended to match the overall course of market reforms, Russian energy policy in the 1990s suffered numerous failures due to continuing Soviet practices. In a sense, energy policy was built upon the perception that the energy sector had to further maintain the role of a donor to the entire economy. This conclusion can be drawn from the analysis of the structure and content of the policy documents approved throughout the 1990s–early 2000s.[1]

On the whole, energy policy until 2003 was rather fragmented and inconsistent with the course of market reforms which were commenced in the early 1990s (Miller, 2009). The goals formulated in the programme documents had been poorly achieved, and were consequently dragged over into the next paper on energy policy, only to yet again remain unfulfilled.

By 2004, the overall domestic political environment had shifted towards greater power of the state. From 2000, the 'oligarchs' were ousted from the media, then regional presidential representatives were introduced to curb the power of regional governors and in 2003, the oligarchs were ejected from the State Duma by forcing out the liberal parties that they financed and which were the main conduit for their lobbying. Finally, the forced dissolution of Yukos and the redistribution of its assets to state-controlled companies signalled the advent of state capitalism, a system of state entrepreneurship backed by mechanisms of selective support for loyal to the

government companies and punitive measures against entities opposing federal power *vertikalj*.

Thus, a liberal policy course in the Russian oil and gas sector had come to an end by 2004. Since then, policy has been based upon heavier governmental control. The state's interests in the gas and oil industries were carefully guarded through nationalisation, resulting in a higher degree of monopolisation, sluggish competition in the sector and overall chronic inefficiency. A deliberate governmental course cut back on foreign investment. Though the necessity for additional investment in the exploration and production of resources was fully realised, amending the regulatory basis to allow for the greater participation of foreign partners and freer access for domestic small and medium-sized companies, was postponed.

The arrival of pragmatic thinking into Russia's energy policy-making was galvanised by the extremely favourable external conjuncture of oil, gas and other raw materials markets: "Russia's foreign policy has ... seen its successes in meeting the objective of economic development. The Kremlin's strategy of capitalizing on the country's energy reserves added revenue without alienating potential foreign investors. Russia's per-capita GDP has quadrupled... and about 20 million people have been lifted out of poverty".[2] Export windfalls brought incredibly large amounts of currency into Russian coffers and made the government believe that Russia's economic strength (all too precarious, as the 2008 crisis testified) should be matched adequately by the country's stature in global affairs. An accent on the economic factors as a necessary prerequisite for the build-up of national power became particularly evident during the second term of Putin's presidency.[3]

Russia's economic success throughout pre-crisis years, was largely fuelled by oil and gas rents. The sector generated approximately 30% of GDP, about 50% of budget revenues and earned over 70% of the country's foreign currency.[4] Russia has enjoyed robust growth of around 7% annually; attracted a considerable amount of foreign investment; accumulated unprecedentedly large foreign exchange reserves; run significant budget surpluses; the rouble had become a stable currency, steadily appreciating against the dollar; and the population could enjoy a remarkable rise in living standards.

The pendulum of economic fortune has swung away from Russia in step with the global economic crisis. Following collapse of oil prices and amidst the global recession, Russian oil and gas production and exports declined, thereby adding to economic downturn. In 2009, Russian economy contracted by 9.4% with industrial production declined by 10.8%, export slumped by 35.8%, import dropped by 34.4%, and FDI toppled by 50.1%.[5] In the wake of the 2008 crisis, the government became particularly concerned with the ways to support the energy sector. In such circumstances, it started amending the taxation and customs policy, as well as considering incentives to activate investment (including of foreign origin) into long-term large scale and risky projects.

In 2008, Russia faced with all the limitations of a resource-dependent economy and the need for a qualitatively new pattern for economic development was emphasised by then President Medvedev in the Long Term Concept for Social and

Economic Development of the Russian Federation until 2020, highlighted in his arti-
cle "Go, Russia!" and in his 2009 Presidential Address to the Federal Assembly of the
Russian Federation.[6] Then President Medvedev's all-embracing modernization
manifesto defined a course towards the improvements at all — economic, technologi-
cal, political, etc. — facets. In 2009, modernization became official policy with the
establishment of a Presidential Commission for Economic Modernization and Tech-
nological Development (Presidential Decree, 22 May, 2009).[7] In June 2009, the Presi-
dent, in a speech before the Commission, formulated five target areas for a
technological breakthrough naming energy efficiency and energy saving (including
the development of new energy sources) and nuclear technology among those core
fields. Involvement into a large-scale modernization would entail certain risks of the
loss of legitimacy for the government. Realizing this constraint, the government
opted for the idea of a bi-sectoral development of the country as well as of exclave
modernization.

Characterizing structural shifts in energy policy, it is worth explaining the over-
all landscape for the policy-making in Russia. In 2006, the ideological platform of
"sovereign democracy" was put forward by then Deputy Head of the Presidential
Administration Vladislav Surkov.[8] It was essentially meant to proclaim that Russia
has its own understanding of democracy which does not necessarily fit the western
pattern. Obviously, it was prepared to deter severe criticism about the violation of
the democratic principles in Russia. The concept was critiqued both domestically[9]
and internationally for its ambiguity. In 2009, a new ideological platform to buttress
President's Medvedev modernization strategy was presented by the United Russia.
It was dubbed "conservative modernization". While socio-economic advantages of
such a conception remain rather dubious, the political dividend is more identifiable:
the government is concerned with pursuing a policy of petite temporary improve-
ments of the traditional economic structure in order to preserve the existing albeit
fragile and negligible socio-economic comfort.

On the international scale, Russia appears to be determined to participate in the
foundation of provisions for new global energy governance. The idea proposed in
April 2009 by Dmitry Medvedev in the Conceptual Approach to the New Legal
Framework for Energy Co-operation[10] has been reiterated by Minister of Foreign
Affairs Lavrov, who articulated: "sustainable development requires reliable supply
of energy resources for the global economy. Russia has made a proposal to elaborate
a Convention on International Energy Security that would cover all aspects of
global energy cooperation taking into account the balance of interests of all actors
in the international market. We call for starting practical preparation of this docu-
ment."[11]

Energy has been routinely portrayed as a trump card in Russia's foreign policy.
This seems to be a somewhat narrow interpretation. There has always been an
understanding (or, recalling Putin's dissertation[12], could well be even a plan) that
energy is one of the elements of Russia's economic power. Even a cursory perusal of
Putin's thesis[13] helps identify the elements of what later on became the core elements
of Russia's economic strategy. In hindsight, it appears that upon entering the

political stratosphere as a Prime Minister, President, Prime Minister and President again, Putin has been rather closely following his early template. Throughout the 2000s, the Russian energy policy has been developed upon the notion that blessed by various natural resources Russia possesses a unique potential, which if rationally exploited can boost the country's economic growth and reinforce its political status.

Triggered by the 2008 financial crisis and the subsequent economic recession, shifts in Russia's energy policy cover a multidimensional agenda. Domestically, there is a course towards innovative and technologically advanced socioeconomic development that necessitates foreign capital and expertise. Externally, a more pragmatically-oriented diversification of energy ties away from the West and the post-Soviet near abroad helps sort out a broad range of hindrances which emerged throughout the post-Cold War history of relations. Russia's pragmatic move east-wards promises to tackle several tasks concurrently, such, for instance, as the economic development of Russia's vast eastern territories, which otherwise would further decay additionally aggravating the country's security. Russia, perhaps for the first time in its history, is trying to implement an authentically Eurasian vision of its place, roles and behavioural patterns.
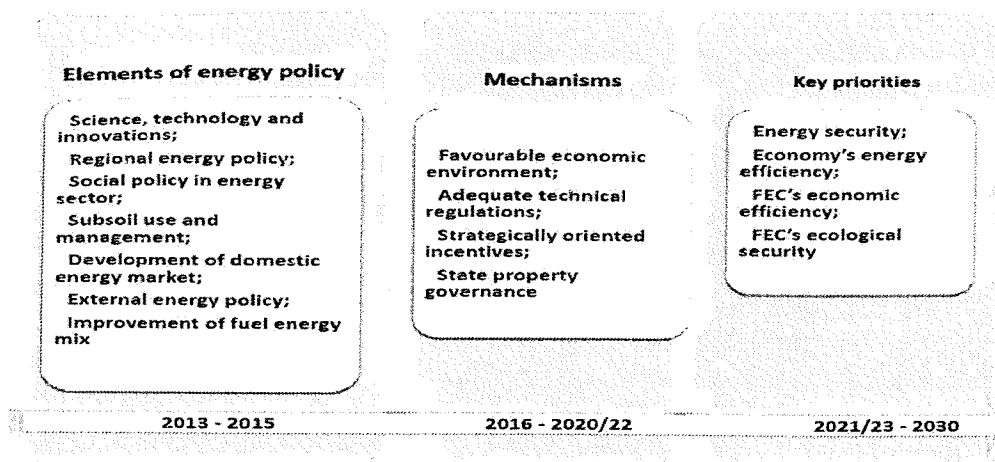
(ii) *Shift in Policy Objectives*

Following a dramatic change in the global energy market, the Russian government was forced to revise the Energy Strategy until 2030 (hereafter referred to as "the Strategy"), and adopted it on November 13, 2009.

In the Strategy, the government emphasised a new approach whereby objectives for the development of the national energy sector are set as pivotal parameters. The new Strategy is built upon an assumption that it is the national Fuel Energy Complex (FEC) itself that crucially defines its own forward trajectory and shapes the trends within the entire economy. This time around, it is not the world oil price but the tempo of post-crisis economic recovery that has been set as the point of departure for the Strategy's two scenarios. The first scenario envisages a quickly recovering national economy with the current consequences of the downturn tack-led before 2015. In turn, the second scenario envisions a slower pace of overcoming the repercussions of the crisis, with full recovery expected by 2020/2022.

The Strategy outlines three phases, but the timeframe is stipulated by whether or not the concrete parameters of the development of the Fuel Energy Complex have been achieved. Logically enough, the Strategy envisages a substantial overhaul of the Fuel Energy Complex during the first stage (*2013–2015*) to become an additional engine pushing the domestic economy towards post-crisis recovery. During the second phase (*2016–2020/2022*), an array of cutting-edge, highly efficient innovations and technologies will be introduced; greenfields[14] will become operational and significantly expand the sector's production and export capacity. In the period *2021/2023–2030*, considerably improved energy efficiency coupled with the enhanced use of non fossil fuel energy sources (nuclear, solar, wind and so on) are expected to boost Russia's robust economic development. The Strategy pursues an array of aims across four major dimensions: energy security; the energy efficiency of the domestic
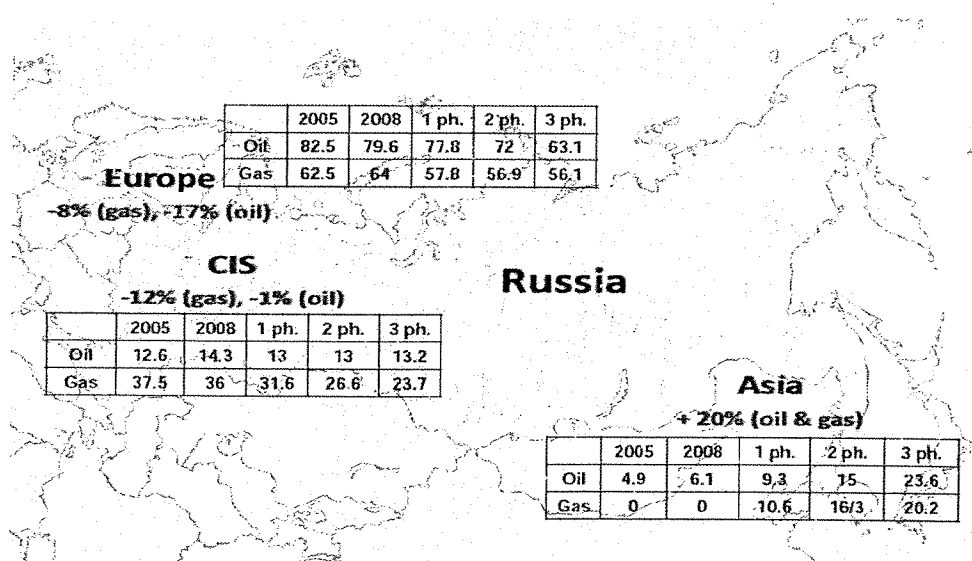
economy; the economic efficiency of the FEC and, the ecological security of FEC (Figure 1).

Elements of energy policy

Science, technology and innovations;

Regional energy policy;

Social policy in energy sector;

Subsoil use and management;

Development of domestic energy market;

External energy policy;

Improvement of fuel energy mix

2013 - 2015

Mechanisms

Favourable economic environment;

Adequate technical regulations;

Strategically oriented incentives;

State property governance

2016 - 2020/22

Key priorities

Energy security;

Economy's energy efficiency;

FEC's economic efficiency;

FEC's ecological security

2021/23 - 2030

Source: composed by the author.

Figure 1   Russia's Energy Strategy until 2030

Concerning the diversification of energy development and export, the Strategy 2030 saliently identifies new geographical dimensions. More specifically, it envisages the accelerated development of new oil and gas deposits in East Siberia, the Far East, on the Yamal peninsula and on the Arctic shelf. Accordingly, export flows are projected to switch more towards the East (Map 1).

Europe
−8% (gas), −17% (oil)

	2005	2008	1 ph.	2 ph.	3 ph.
Oil	82.5	79.6	77.8	72	63.1
Gas	62.5	64	57.8	56.9	56.1

CIS
−12% (gas), −1% (oil)

	2005	2008	1 ph.	2 ph.	3 ph.
Oil	12.6	14.3	13	13	13.2
Gas	37.5	36	31.6	26.6	23.7

Russia

Asia
+ 20% (oil & gas)

	2005	2008	1 ph.	2 ph.	3 ph.
Oil	4.9	6.1	9.3	15	23.6
Gas	0	0	10.6	16/3	20.2

Source: composed by the author based on the Strategy 2030 data.

Map 1   Shifts in the geographical structure of Russian oil and gas exports, %

On April 12, 2011, at a meeting of governmental commission on fuel and energy complex development, mineral resource base reproduction and economy's energy

efficiency the General Scheme of the Oil Industry Development until 2020 (The Oil Scheme 2020) and the General Scheme of the Gas Industry Development until 2030 (The Gas Scheme 2030) were approved. Both documents were synchronized with the provisions of the Energy Strategy 2030. The Oil Strategy was additionally coordinated with the Transport Strategy until 2030. The Gas Strategy was developed as one of the steps toward the implementation of The Complex of Measures on the Hydrocarbon Pipeline Transport Development (2004). The Gas Strategy is also linked to the Strategy of Development of the Key Industries until 2015 and the Development Program for an Integrated Gas Production, Transportation and Supply System in Eastern Siberia and the Far East, Taking into Account Potential Gas Exports to China and other Asia-Pacific Countries (Eastern Gas Program, 2007).

(iii) *Policy Instruments for ... Modernization?*

The government has a great variety of energy policy instruments, which broadly can be divided into the three types of groups: administrative (of direct influence and control), legislative and economic (of soft governing power). All three are in use with the balance among them shifting over time, depending on the priorities the government sets both domestically and internationally. In the following, Russia's energy policy is presented in its principal features. The focus is set on the policy shifts as pertains the sector's structure, decision-making, taxation, investment regulation, tariff policy and licensing.

Sector's Structure: State-owned companies (SOCs) play an important role in all segments of the Russian FEC: exploration, development, processing, transportation/distribution, marketing, etc. (Shadrina, 2010a)

Russian gas sector is represented by natural monopoly Gazprom (state owns 51%) and private companies (Novatek and oil producers: Surgutneftegaz, Rosneft, Lukoil, TNK-BP). The latter are dubbed as 'independents' or independent gas producers. Despite the sector's regulation overtly favouring the monopolist (see, for example No. 117-FL "On gas export", 2006)[15], the independents managed to achieve a significant progress producing as much as 21.8% of total gas extraction in 2010 as against 9.5% in 2000.

The oil sector is represented by a handful of big and many midsized companies. Rosneft (state holds 75.16% through OJSC Rosneftegaz) became the largest oil company upon first the purchase of Yukos' assets and in 2013 acquisition of TNK-BP. By a criterion of favourability of the regulative environment, Rosneft is granted the same privileged status as Gazprom is in gas sector.

In the transport segment of the oil and gas industry, rail and marine transport play very important roles. Briefly, the rail transport, represented by Russian Railways (RZD), a 100% state-owned monopoly, played an important role in Russia's oil exports to China before 2010 until the ESPO's China-directed leg became operational. RZD expands its interests elsewhere acquiring assets in the ports all across Russia (Far East, Ust Luga, Novorossiysk, Murmansk, etc.). The marine transport has somehow regained its attractiveness with the Sakhalin LNG venture coming online

and other possible projects being considered.

The trunk pipelines, however, play a crucial role in Russia's gas and oil exports. Gas and oil transportation, dominated by Gazprom and Transneft, respectively, is monopolised. While it is often argued that this is the only mechanism of effective state regulation available, the fallouts of this system can be clearly comprehended: the timing and direction of export routes affect the private companies' production targets and exploration choices. The number of privately-owned pipelines remains very scant: by Lukoil[16], Shell (the gas pipeline within Sakhalin II), and TNK–BP (the gas pipeline in Kovykta).

Transneft is a state-owned intermediary company specialising on transport services in oil exports. Albeit possessing the requisite resources, the company is not targeting at expansion abroad concentrating its activity on primarily export operations, and increasingly, in particular, in the Far East and Eastern Siberia, on pipeline construction. Transneft's monopolistic status grants it all the benefits from transportation of Russian oil through the system of trunk pipelines across Russia.

With regard to exploration, in the circumstances of falling or levelling-off output in the gas and oil sectors, the state became concerned with the speed the depleting fields are being replaced by the newly discoveried. It is against this backdrop that the government decided to bring more control into geological exploration and founded Rosgeologiya in 2011.

Thus, SOCs are the principal actors in the Russian oil and gas sector. Due to the government protection, competition in industry is limited allowing the survival of SOCs despite their rather low economic efficiency. Additionally, due to the specific managerial practice of the SOCs, the overall level of transparency and accountability in the sector is far from being perfect. SOCs carry out extensive non-commercial obligations and are not necessarily guided by their own interests.

The modern structure of Russian oil and gas sector is the result of privatisation of the 1990s and re-nationalisation after 2004. The latter was arguably an interim phase helping change the owners. Recently, the idea of 're-privatisation' has become a popular topic for discussion about further transitions in the sector. The concrete form of changes and their impact on the sector and the economy as a whole yet remain to be seen.

Decision-making: In addition to the legally established division of authority between the president and the prime minister, the ministries in charge of energy, financial and economic development, there are many other perspectives of the state vs. business relationships when regards the energy policy making (Shadrina, 2010a, 2010b). While other changes were not as evident, one particular arrangement enabling direct state's involvement in the energy sector — a system of the government official representatives in the BoDs' of major oil and gas companies[17] — was generally scrapped in 2011. It was touted before and delivered in 2011 as a sign of the government's commitment to restrict its intervention in the sector.

Taxation of Production and Export: Generally speaking, there are three ap-

proaches to oil and gas sector taxation: combination of tax on profit and royalty; production sharing agreement (PSA); and excess profit tax.

Analysing Russian energy tax policy from 2004, it can be noticed that rather high taxes and tightening state control were policy choices by the Russian government in order to manage the price risk exposure and control rent addiction.

Russia has a three-tiered tax system: a corporate tax, a mineral extraction tax (MET) and the export duties on crude and products. The corporate tax is imposed on energy company's profit at a rate of 20 per cent (equal to that in other industries)[18]. MET was introduced in the 2002 tax reform, replacing the levies and taxes that were previously imposed on subsoil asset developers. In the oil sector, MET and export duties are linked to oil price and the correlation is progressive: the higher price the higher levy. As for the gas, the MET is fixed and the export duty is defined in an *ad valorem* form. A general note can be made that oil sector is under a heavier tax burden. By some 2011estimates, export duties and MET were totalling to 30% of gas price, while reaching 60–65% level when compared to the oil price.

The oil sector's production stagnation prompted the government to introduce some minor tax cuts, returning the industry to modest growth in 2009. Besides raising the taxable threshold according to which the MET was applied, the government took steps late in 2008 to modify its oil export tariff-setting system, shortening the time between when prices are monitored and when tariffs are adjusted (from two to one month period). The moderate success of these initiatives in resuscitating the sector in 2009 has spurred calls from the domestic oil industry for more tax breaks and incentives, including a shift to profit-based taxation and a change in the methodology in determining oil export tariffs.

Launched from January 2007 tax exemptions on oil production and exports from East Siberia[19] have helped provide incentives for producers operating in the region. Rosneft, Surgutneftegaz, and TNK–BP were highly satisfied with the tax breaks, but the Ministry of Finance (MoF) strongly opposed such a system noting that "East Siberian tax holidays" result in annual losses of budget revenues of some 120 bn roubles. Eventually, the regulations for the eastern provinces were set with a provision that they are to be gradually terminated by 2013.

The regime is being defined in a heated debate among three government entities: the Ministry of Economic Development, the MoF and the Ministry of Energy. The conflict of interests here is obvious. While the utmost concern of the Ministry of Energy is to modify the taxation mechanism so that it would enable an increase or at least a stabilization of production, the MoF most of all cares about the budget revenues. Since the oil and gas revenues account for over a half of the Russian budget revenues, a cut would be a painful decision for the economy experiencing a budget deficit.

From October 1, 2011, a new system of export duties (coined "60-66") has been adopted. Under this regulation set through the end of 2014, the marginal export tax on crude oil is reduced from 65% to 60%, while light and heavy petro products are to be levied at a unified rate of 66% and gasoline — of 90% of the tax on crude oil. The logic behind this novelty is apparent: the government attempts to terminate

export of low processed oil products (perceived as a hidden form of subsidization of foreign refineries, which use these low-quality Russian products as a feedstock) and stimulate the upgrading of Russian refineries.

The Ministry of Energy's proposition about additional revenue tax of 27% (in addition to existing 20% tax on profit) and abolition or significant reduction of MET has eventually not been approved. This however does not mean that some of these arrangements cannot be implemented later on.

As of the PSA, back in 2003 Russia decided to stop issuing PSAs for the new projects. In 2006 Russia pressured the Sakhalin II consortium prompting the foreign companies operating the project under the PSA to sell the control war the project to Gazprom. The reasoning was to obtain an easier control over the costs, ensure more revenues from the project and have a say in the project's export marketing strategy, or, putting it bluntly, Gazprom did not want to accept the consortium's China oriented export aspiration.

Investment: After the 2008 crisis, investment in Russian energy sector has become a matter of vital importance. Estimates on the investment needed in the sector range significantly. In 2008, for instance, the Ministry of Energy referred to a level of $240 billion needed through 2020, while the IEA evaluated this need as up to $400 billion by 2030. The Strategy 2030 assessed the investment required for oil and gas industries through 2030 as of over $1.1–1.2 trillion. The Strategy envisaged that the lion's share of investment — up to 80% — would come from the private sector.

In the crisis aftermath, the Russian government declared its intention to permit more active FDI involvement. In Russia, the attitude toward non-residents in the oil and gas sectors has changed several times — from a romantic period of PSA and active invitation to the sector to a tough period of severe resource nationalism that resulted in a law forbidding foreign investment into Russian commercial organizations of 'strategic importance'. Indeed, the period after 2004 has seen a tightening of the Russian state control and growing restrictions for the foreign capital in energy sector. In July 2008, a number of amendments to the federal laws — On Continental Shelf, On Gas Supply, On Subsoil — resulted in assigning Gazprom and Rosneft a role of the government agents in oil and gas sector, while foreign businesses found themselves under tougher regulation. Russia has been severely criticized for this move.

Additionally, the Strategic Sectors Law approved in 2008 listed 42 types of activity of strategic significance, stating that foreign investment in these areas should either be totally restricted or subject to approval on a case-by-case basis. The Law introduced the category of 'subsoil blocks of strategic significance',[20] and envisioned rather complicated licensing procedure by a number of agencies, including the Federal Security Service (FSB), the Ministry of Defence, the Ministry of Economic Development, and the Ministry of Energy. Apparently, the Law has further fortified Russian oil and gas sector from foreign 'invasion'.

After 2008, many Russian energy companies opted for the suspension or even altogether termination of some of their investment programs. Seeking the means to

ensure the sector's development, the government has initiated some stimuli. The investment into the ESPO oil pipeline were backed through wounding down the export duties on oil extracted from a number of deposits in East Siberia. Also, the government introduced tax exemption for the first 10 years of production or first 25 million tonnes of crude oil produced (whichever occurs first) in East Siberia, for the first 10 years of production or 35 million tonnes of crude oil produced for the Arctic continental shelf, 10 years or 20 million tonnes — for the offshore deposits in the Black Sea, and 10 and 30 — for the Okhotsk Sea, all under the condition for period of geological prospecting during up to 10 years and commercial exploitation during up to 15 years.

At some point, it seemed that the government is seriously considering the abolishment of restrictions on investment by foreign and Russian private companies in the strategic deposits and offshore blocks. As of the time of writing, there was no any decision of significance to alter the overall unfavourable investment climate for foreign investors in Russian oil and gas sector.

Tariff System: Trunk pipelines and railways enable the shipment of oil and gas both across the country and abroad. When it comes to pipeline system, the major actors here are Transneft and Gazprom, while the rail sector is dominated by RZD. The state control is mainly executed through setting the prices (tariffs) for transport services and distribution of rights for the access to the pipeline system (including export facilities).

In the pipeline system, the Federal Tariff Service of the Russian Federation (FTS) is the only authority assigned with defining the tariff level for transporting of natural gas, crude oil, and petroleum products through the oil and gas pipelines. The system of tariff regulation is designed in a two-tiered pattern comprising external (tariffs determined by the state, i.e., FTS) and internal (based on decisions adopted by the state representatives on the company' board of directors) control. There is a variety of tariffs charged domestically.[21] Similarly, tariff and transit fee are significant aspects of Russia's external energy ties: the tariffs and fees often become a hard subject for the intergovernmental negotiations.

The economics of pipelines is affected by the politically-motivated decisions. One of the examples of the kind is the ESPO tariff. The pipeline was built upon the government's decision to move ahead with the implementation of Russia's Asian energy strategy. Exceptionally harsh geological and climatic conditions (mountains, rivers, tundra, permafrost, etc.) and almost no infrastructure in place prior to the construction, resulted in the mammoth costs of the ESPO. With the ESPO becoming operational, a 'catch-22' situation emerged. The actual costs for operating the ESPO trunk estimated by Transneft stood at about $130/t. For the oil producers, that was certainly the prohibiting heights. Eventually, the tariff was set at $50/t with the gap to be bridged through the mechanism of a 'network tariff rate', whereby all the users of Transneft's pipeline network — regardless of the area of their operation — are compensating this difference (to Transneft), thereby sharing the burden among themselves.

Licensing: The government seeks to achieve several tasks through the mechanism of licensing, such as to develop the new oil and gas fields and maintain/increase production; to regulate the number of agents and control their qualitative profile; to balance the geographical structure of energy resources development and production; and not least, to receive a certain amount of revenue.

There are exploration and production licenses, which are awarded through either tender or auction mechanisms. If oil is discovered, production license is issued without a tender to a holder of an exploration license. However, before a subsoil user can start developing the deposit under the license, there needs to be an approval from the authorised body. The subsoil licenses become effective upon their registration with the Federal Agency for Subsoil Use.

Since January 2005, tenders and auctions are conducted by the Federal Agency for Subsoil Use (or its regional departments). From 2008, higher uncertainties and the companies' worsened financial capabilities have decreased the overall interest to obtaining subsoil licensees. That is to say, in 2009, 119 auctions and 5 tenders were announced, of which 80 and 0, respectively, were successfully held. Auctions on the subsoil sites located in East Siberia and the Far East were of particularly low success rate: out of over 30 auctions announced only 10 were actually held.[22] This situation resulted in a specific method of the licenses' allocation — the direct transfer of licenses at a minimum price upon the government's resolution[23] — was put into practice. Such, for instance, were the cases of licenses on geological exploration, development and production of the Sakhalin III blocks and West Kamchatka's shelf deposits granted to Gazprom in 2009.[24]

The system of licensing obviously contradicts the policy task to boost the explorative activity. Under the current regulation, Russian majors already awarded vast unexplored territories, have no interest in paying lump sums for the rights on exploration and development of the green fields. On the other hand, smaller energy companies often have no sufficient financial resources to bid at the auctions, or relinquish even the application foreseeing future problems with the access to the infrastructure controlled by Gazprom and Transneft. There is an estimate that if the current tempo of geological exploration and development is kept unchanged, 150 years would be needed to achieve the targets of the Program for Development of Hydrocarbon Resources on the Shelf of the Russian Federation until 2030.

Summing up, rough analysis presented above characterises various shifts occurring in the Russian energy policy. These changes have been triggered by the 2008 crisis, which highlighted the sector's extreme dependence on the external demand for oil and gas coupled with its heavy dependence on the foreign capital. Undoubtedly, many of the Russian oil and gas sector problems are originating in the past, as far back as in the Soviet era. The signals of the Russian energy governance system's fatigue are being accumulated, but the responses generated are only capable of accommodating the existing obsolescing system to the changing environment. The success of such narrow approach, as examined above, is bleak. Overall, the introduced policy instruments can hardly be effective in attaining the strategic objectives formulated by the Russian government in Energy Strategy 2030.

Within the contemporary course of Russia's energy governance, several patterns, namely European, Eurasian and Asian (Shadrina 2010a, 2010b), can be distinguished. Within the Asian policy pattern, a specific mode of transition emerges. The following sections characterise how Russian energy policy is being transformed in order to involve China into energy cooperation.

III. Direction of Asian Vector

A policy emphasis on expansion of energy cooperation with the Asian countries, dubbed the 'Asian vector', was proclaimed in Russia's Energy Strategy for the period up to 2020 adopted in 2003. The vector was drawn to reduce Russia's dependence on the European market, minimise the risks associated with transit, and, not the least, enhance the economic development of the territories in the Russian east.

Initially, Russia attached principal importance to China (and considered oil pipeline linking Angarsk with Daqin). Japan however managed to convince the Russian government not to play the 'China card' only, but to make a decision opening up the prospects for engaging with a broader Asia Pacific Rim.[25] This Japan did through the promises to allocate sizable amounts of investment in energy, transport and social infrastructure in East Siberia and the Far East. Apparently, the move by Japan and South Korea to diversify their gas and oil imports solidified Russia's decision to initialise the resource development in the Russian East.

(ⅰ) *Russia-China Energy Cooperation*

The year 2011 marked the 10-year anniversary of the Treaty of Good-Neighborly Relations, Friendship and Cooperation between Russia and China signed by former Presidents Jiang Zemin and Vladimir Putin on July 16, 2001. In June 2011, during President Hu's visit to Moscow, the two sides agreed to further develop their ties from the current "strategic partnership relations" to "comprehensive strategic cooperative partnership based on equality, mutual trust, mutual support, common prosperity and friendship from generation to generation".[26]

Boosted by especially energetic bilateral official exchange in the past two years, economic relations between Russia and China have activated. The bilateral trade rebounded in 2010-2011, making China Russia's largest trade partner. Russia, in turn, became China's 10th largest trade partner. Differently from the trade pattern with the other countries, Russia has trade deficit with China. Less robust the trend is on investment side. Even though Chinese investment in Russia is increasing, it only accounts for less than 5% of cumulated foreign investment in Russia.

In energy sector, the bilateral cooperation is indeed of a diversified nature (Jakobson et al., 2011; Paik, 2012). It embraces coal sector, electric power, nuclear energy, energy efficiency, etc. As regards the oil, cooperation has begun recently and the gas related projects are only under negotiation.

Cooperation on oil and gas was not smooth from the start and even already implemented the ESPO project revealed a great deal of misunderstanding, dissatisfaction and mutual claims. Interestingly, the governments play a critical role in

setting and settling down various aspects of bilateral energy links. To enable a more productive discussion on the strategic issues, Russia and China established the Energy Dialogue and the Russia-China Intergovernmental Commission on Energy Cooperation. The governments normally work in a close connection with the businesses, and their efforts intensify further when a serious problem arises. Repeatedly, the two sides officials were joining the business to business format arrangements to advance the settlements of disputes.

Speaking of *oil*, in 2010, China's own oil production was 204 million tonne and its imports — 239 million tonne. Annual imports of oil from Russia amount to some 15 million tonne, or slightly above 4% of China's total oil consumption and over 6% of its oil imports. China diversified its oil import making Russia the fourth largest supplier of oil after Saudi Arabia, Angola and Iran. China's share in Russian oil exports gradually increased to about 6%. In the long-run, according to the BP Statistics, China's oil consumption is forecasted to grow by 8 million b/d to reach 17.5 million b/d by 2030, overtaking the US to become the world's largest oil consumer.

China is receiving only some insignificant share of oil extracted in the Sakhalin I and II projects while the main volumes are delivered through the East Siberia Pacific Ocean (ESPO). At the first stage (until January 1, 2011), the oil was transported by rail, but with the completion of the Skovorodino — Daqing spur via the pipeline.

In retrospect, the main developments in Russian-Chinese energy ties can be presented as follows. In 2005, Rosneft received a $6 billion loan from the CNPC which it used to purchase Yuganskneftegaz (subsidiary of the former Yukos). The deal envisaged the loan to be paid back by Rosneft's oil supplies of 48.4 million tonne through 2010. Also, Rosneft agreed to supply China with oil on price terms defined as Brent with $3/b discount (in 2007, Rosneft managed to decrease the discount to $2.325/b).

In 2006, Rosneft and CNPC established Vostok Energy (51%, and 49%, respectively) for the development of deposits in Irkutsk Region. In 2006, the two companies founded Vostok Neftekhimiya in China. Under this project, Rosneft and CNPC decided to build a refinery of 13 million tonne/y capacity in Tianjin and open a chain of gasoline stations in China.

As far back as at the time of signing the Sino-Russian Treaty of 2001, the two sides agreed to build a pipeline to carry 20 million tonne/y by 2005 and 30 million tonne/y by 2010. In 2003, with some alterations made to the initial plan, Russia announced a 50 million tonne/y pipeline stretching toward the Pacific route and 30 million tonne/year spur to China (Daqing route). In February 2004, Transneft announced a draft of a 4,130 km pipeline from Taishet via Skovorodino to Perevoznya Bay on the Pacific coast. This project was adopted by the government decree in December 2004. In April 2005, the Ministry of Industry and Energy approved a two-phase project. The first phase of the ESPO, ESPO-1[27], commenced in April 2006 and was completed on December 28, 2009. The ESPO-2 was completed in the end of 2012.

The second phase of the ESPO-1— Daqing route — took rather long to decide. In May 2008, Russia and China reached an agreement on the ESPO's spur to China.

Negotiations have been stalled for about 2 years over Rosneft and CNPC disagreement on the export volumes and prices. A breakthrough has eventually happened in October 2008 with the agreement on Skovorodino — Mohe part of the ESPO-1. The agreement facilitated the construction works. In 2009, Rosneft and Transheft received the loans against contractual obligations to supply China with 15 million tonne annually over a 20 year period. Reportedly, China again was able to attain very attractive price terms.

With the extensive backing from both governments, the project materialised rather quickly; in a bit over a year, the Chinese leg was completed. Nonetheless, right from the beginning of actual deliveries the partners reached a point of serious misunderstanding. It was again about the price or, more precisely, a tariff.

Since January 2011 CNPC has been paying a smaller amount than provided for in the 20-year contract. The issue under dispute is the cost of transporting crude through Russian territory via the ESPO pipeline, which according to the Chinese has been overestimated by approximately $30/t (the unified ESPO tariff is RB 1,815/t). While the Russian side argued that the price of transporting oil should be calculated based on the entire route of the ESPO pipeline to the end point of the port terminal in Kozmino, China insisted that the price formula should only include the cost of transportation from Skovorodino, which is 2,046 km from Kozmino. It is unclear how this misunderstanding was overlooked at the beginning when China provided Transneft and Rosneft with loans of $10 billion and $15 billion, respectively, for guarantees of long-term oil deliveries of 6 million tonne and 9 million tonne, respectively. In the debate, Transneft went as far as expressing its intention to pay out the loan ahead of the agreed schedule. After many rounds of talks, the issue has been settled, but in July 2011, for instance, the Chinese cut their oil import by half indicating their displeasure over the pricing mechanism. Unfortunately, the possibility for the scenario to repeat cannot be played down.

Turning to the bilateral cooperation in gas area, in 2010, China's gas production and consumption stood at 94 billion cm and 106 billion cm, respectively. The overall role of gas in China's energy mix is small — about 4%, but the scale of demand and the rate at which it grows make China a very attractive customer. BP Statistics projects gas consumption in China to grow at 7.6% annually to a level of 43 billion cubic feet/day in 2030. Domestic gas production is expected to grow by 6% per year. Despite non-conventional gas is expected to contribute some 41% to this growth, there will be yet a rising need for the imports. Russian Ministry of Energy operates by estimate that by 2020 Russia may count on China's gas demand of 60 billion cm/year.

Russia provides about 2% of China's gas imports, as of 2011. While the LNG produced in the Eastern part of Russia is tied up in the long-term contracts with Japan and Korea, there is yet no infrastructure in place enabling natural gas exports to China.

Contemporary Russian-Chinese cooperation in the gas sector is built upon the Agreement on Strategic Cooperation signed by Gazprom and the CNPC on October 14, 2004.

In March 2006, Russia and China signed a memorandum of understanding (MoU), agreeing on up to 80 bcm of annual exports to China from 2011. Two export routes considered were: the *western route* (the Altai project relying on the west Siberia's fields and directed to China) and the *eastern route* (gas of Sakhalin and East Siberian origin for both domestic consumption and export to China and Korea) (Table 1). Gazprom progress on both plans was rather insignificant in the subsequent years; mainly, due to a major disagreement with China on gas price. In 2013, it was announced that the Western Route is abolished.

Originally, the eastern route, the prospects for Russian — Chinese ties in the gas field were mainly linked to the development of the massive Kovyktinskoe gas and condensate deposit in Irkutskaya oblast. Initial deliberations on gas cooperation with Russia originated in Korea when a project to deliver Yakutia's gas via pipeline traversing the DPRK was suggested in 1989. Over numerous setbacks[28], the original routing has been revised many times until it took configuration as stemming from Kovyktinskoe field and targeted mainly at the Chinese market.

The 'eastern route' was planned mainly around the gas reserves from Kovykta field, the license on which was initially owned by TNK-BP. In 2007, TNK-BP agreed to sell the license to Gazprom[29], but the crisis and low demand made the project less attractive. In fact, Kovyktinskoe's fate remained undecided for a number of reasons. One of them is a unique character of the deposit containing significant helium component. This complicates the deposit's development: helium extraction and marketing need to be decided before the development is commenced. Nonetheless, Gazprom purchased Kovyktinskoe field from Rusia Petroleum for $0.89 bn in 2011. Half a year

Table 1 Specifications of Kovykta deposit and Eastern Route

Name/Route	Ownership	Fields/Reserves/Capacity	Investment	Status
Kovykta Condensate Gas Field project (Irkutsk Region)	Gazprom (69%), Irkutsk Region Gvt (10.78%), OGK-3 (24.99%)	1.5 tn cm of gas, 2.3 tn cm of helium, 77 mn t of gas condensate; gas extraction — 30-35 bn cm/y;	— $18 bn; TNK-BP invested $664 mn, as of 2010.	March 2011 Gazprom bought from Rusia Petroleum (TNK-BP) for $0.89 bn. Oct. 2011 Gazprom received licence (in 2007, TNK-BP). Expected to start in 2017. Marketing in China and Korea
'Eastern route' links resources in East Siberia (Kovykta, Chayandinskoe) and the Far East (Sakhalin 3, possibly Sakhalin 1)	Gazprom, CNPC, KoRus (consortium of Korean companies)	3,200 km: Kovykta gas field — northeastern China 38 bn cm/y		Intergovernmental Russian-Chinese general agreement on February 25, 1999; agreement on supplying gas to China and Korea signed by RUSIA Petroleum, CNPC and Kogas, November 2, 2000; MoUs in 2006, 2009

Source: composed by the author, revised and adopted in line with the most recent developments.

later, the company obtained the licence, yet reconfirming that Kovykta's development is to be postponed until after 2017. Insignificant gas demand in Irkutsk Region itself coupled with unresolved issues of the gas marketing in China (and Korea) are the principal reasons behind Gazprom's decision.

Through the eastern route from East Siberia, connecting Kovyktinskoe field, deposits in the Russian Far East (Chayandinskoe field) and offshore Sakhalin deposits, some 38 bn cm could be pumped. Apparently the western option could be implemented within a shorter period of time because the resource base there is developed and necessary transport infrastructure is in place.

Back in October 2009, a framework agreement on gas supplies from Russia of total 68 bn cm annually starting from 2014-2015 was signed between Gazprom and CNPC.

In December 2009, Gazprom export (Gazprom's subsidiary) and PetroChina International (CNPC's subsidiary) signed the Agreement on Major Terms and Conditions of Gas Supplies from Russia to China. In September 2010, Gazprom and CNPC signed the Extended Major Terms and Conditions of Natural Gas Supplies from Russia to China. The document set the key commercial parameters of the forthcoming natural gas delivery to the Chinese market: the volumes and the timeframe for export startup, the take-or-pay level, the supplies buildup period and the guaranteed payment level.

The Gazprom — CNPC agreement needs to be assessed soberly. Russia's benefits from the new gas deal with China may turnout to be rather modest. The to-be-supplied to China gas is likely to be priced much lower than the prices paid by the European consumers. The two sides fail to overcome the differences over the pricing mechanism. China insists on pricing being pegged to the price of coal. The price Chinese side initially defined stood at some \$100–150/ 1000 cm. By the end of 2012, China was indicating price within the range \$235–250 /1000 cm. Russia takes into account price in the European market and defends the level as of \$352/1000 cm. The Russian — Chinese frame agreement has provisions pegging the price of future Russian gas supplies against the price of the Asian oil basket.

With regard to the LNG cooperation, albeit current China's LNG imports are rather insignificant totalling to 20.26 billion cm in 2012 (compared to Japan's 120.50 billion cm and Korea's 50.62 billion cm, as of 2012), the Chinese market is highly attractive for Russia. Russia is however not the only one seller seeking deals with China. That is to say, in the August 2009, Chinese PetroChina concluded a 20-year deal with ExxonMobil Australia (Gorgon field) on annual 2.25 million tonne LNG import of an approximate value of \$41 bn (in current price terms — \$22 bn). This together with the previous deals — 25-year contract 3.7 million tonne LNG signed in 2003, 20-year contract with Shell and Woodside (Australia) on 4 million tonne LNG in 2007 — is believed to deter Gazprom's prospects in the Chinese gas market. Obviously, with its only one operational LNG plant in Sakhalin, Gazprom is lagging behind the dynamics of the LNG market.

Summing the facts, Gazprom has long targeted at opening up a supply relationship with China (this is believed to be the prime reason for Gazprom's persistent

interest in Sakhalin I), but no fruit has yet been yielded. Russia, i.e. Gazprom, wants to send Russian gas from its western fields to China. In doing so, Gazprom is highly interested to: 1) sell what is readily available or producible at lower costs (a sign of the monopolist's short life left?); 2) obtain price comparable to its European market ($ 335/1000 cm compared to $352 for Europe). In turn, China expects: 1) Russian eastern gas to be delivered to its northeast territories; 2) "price for China" ($235–250; maximum $270–280/1000 cm). In negotiations with Gazprom, China shows no intention to finalise the gas talk any time soon. One of the reasons for such a strategy may be China's larger comfort attained after the accomplishment of the Turkmenistan-China pipeline.

Price seems to remain one of the most problematic issues in Russian-Chinese gas negotiations. China bargains heavily for a lower price of Russian supplies pointing at its developing economy status, meanwhile actively diversifying energy flows via various import routes including pipelines from the Central Asia and East Asia. Gazprom's position against China appears to be weaker as the monopolist faces shrinking profit margins over increasing production costs. Nonetheless, the scale of China's energy demand makes Gazprom consider various schemes for the long-run energy partnership with China.

In reality, as the analysts hold (Jacobson et al., 2011, Paik, 2012), China is much more interested in securing additional amount of Russian oil. On this account, Lo (2008: 134) pointed "... an important structural disconnect separates the world's largest energy exporter from its fastest growing energy consumer: Moscow would like to sell natural gas to China, whereas Beijing is much more interested in buying Russian oil". Several reasons are highlighted to prove this argument. First, China faces very rapid development of all means of transport (air, road, rail dieselisation, etc.), which makes the sector the fastest growing in terms of oil consumption. If in 1990, for instance, transport consumed 17.6% of oil, in 2007, it accounted for 35.9% of oil consumption. Second, China seems to be concerned with Russia's peak oil and is attempting to secure come spare oil supply. Third, the effectiveness of China's transnational oil pipelines (Kazakhstan-China, Myanmar-China oil and gas, Pakistan-China) seems to be somewhat overstated.

(ii) *Gains and Losses. Ex-Ante and Ex-Post*

Russian-Chinese energy cooperation can be presented as involving the following major projects (Table 2). Despite the numerous twists and turns in Russia's position with regard to the Sakhalin I and II and the ESPO, the problems were weathered letting the partners start reaping the fruits. The bilateral cooperation on pipeline gas is being negotiated, but the deal stays somewhat far from the finalising stage.

Speaking of Russian-Chinese energy cooperation in terms of gains and losses, potential and real ones, several dimensions seem to be of particular importance.

Having experienced hardships associated with energy transit through the post-Soviet states, Russia came to realize clearly the need to revise its geographical priorities in order to utilize the benefits of the direct access to diversified export markets.

Table 2   Russia's China-oriented Projects

	Projects	Oil	LNG/Gas
Operational	Sakhalin I, II	*	*
	ESPO-2	*	
Under development/ projected	Sakhalin III Eastern Route (Sakhalin — Khabarovsk — Vladivostok & Irkutsk — Yakutia — Khabarovsk — Vladivostok)	*	* *

Source: composed by the author.

Based on this, Russia stepped up the Asian vector in its energy policy and embarked on strengthening ties with the Asian nations.

Energy cooperation is seen as a cornerstone of Russian — Chinese ties, because "... development of energy linkages between Russia and China provides a critical economic basis to the relationship which would otherwise be absent."[30] As regards political outcomes of unfolding energy partnership, the views are polarising from a notion that "Russia-China relations based on energy cooperation could develop into something like an axis"[31] to the observation that despite for China "energy is another major dividend of partnership with Russia" "polarized understandings of energy security translate into an imperfect complementarity" (Lo, 2008: 134).

On a larger scale, it is believed that Sino-Russian cooperation will bring about not only enormous economic returns, but have major social impact. It will not only promote prosperity and stability in Northeast Asia, but it will be conducive to peace and development in the world as a whole.[32] Also, the expanding Sino-Russian energy cooperation would possibly intensify the involvement of other foreign partners (first and foremost, Korea, which automatically translates into the schemes with the DPRK participation).

Overall, Russia's prospects to strengthen its position in the Asian oil and gas market seem rather positive. For Russia, closer involvement with the Chinese market is a way to establish the essential infrastructure (transport, financial, social, etc.), which is largely missing in Russian eastern territories. This would certainly stimulate further socio-economic development of the Russian east.

According to some industry estimates, one of the possible sequels of Russia's diversification of oil export is an upward shift in the price for the Russian crudes. The IEA pointed that rerouting of some of the Russian crude exports from the ports on the Baltic and Black Seas towards the East affects the volumes of Russian supplies to the European markets and pushes the price of Urals (which traditionally traded at some 70 cents discount against Brent) upward. Additionally, owing to its higher qualities a new Russian oil blend — the ESPO — is increasingly popular not only in Asia, but worldwide. The ESPO is lighter and contains less sulphur than Urals, the most common Russian crude oil for export. On November 1, 2011, for instance, Platts ESPO M2 was $109.19 or a $6.43 premium to Platts Dubai.

Energy cooperation with China may help Russia become stronger financially. It

is not only the perspective of getting additional export revenues, but a possibility to use the rouble in the bilateral transactions gradually moving away from the US dollar. Proposed by Russia, this idea found positive response in China. It is worth noting that rouble — yuan format has been already probed in the bilateral ties and the partners are set to expand the scale of economic exchange upon this scheme.

Speaking of the unpleasant lessons Russia has already learnt from energy cooperation with China, China's financial or more broadly contractual discipline constitutes Russia's utmost concern. Russo-Chinese energy cooperation involves credit mechanisms. While the scheme itself is a sound tool making possible for the Russian energy companies to overcome their financial constraints, the actual scenario, as has been described, may develop in a rather unpredictable manner. While, the ideal commercial practice is that the rule of contract must dominate, governing the concluded partnership, in Russo-Chinese case, China often claims and very often succeeds in getting tariff and price discounts from Russia. Indeed, the energy market fundamentals may change drastically causing the partners' willingness to revise the terms of their initial agreement, but farsightedness and rationality are the values of great virtue for the parties deliberating long-term partnerships and especially involving such a complex scheme as 'loan vs. resources'.

It is hard to agree with Bobo Lo who pointed that "[c]ompared with the complex motivations shaping Russia's energy policy, China's aims are straightforward. It seeks to maximise imports — principally crude oil, but also nuclear energy, cheap pipeline gas, and LNG — in order to sustain the process of domestic transformation. Unlike Russia, it has no geopolitical axe to grind here; energy is not a means of external power projection, but a vital national need." (Lo, 2008: 141). Russia's energy policy has long been reactive (as opposed to Chinese active energy policy around the globe) and is rather far from the form to be classified as heavily politically motivated. Suffice to remember the share of energy export in Russia's total exports, the share of energy related revenue in national budget, the amount of elapsed incomes and losses occurred over the energy ties' disruptions, etc. Also, energy has a significant developmental impact. In the eastern territories of Russia, the development of energy sector is probably the only one plausible possibility to tackle such major problems as continuing depopulation and enduring economic stagnation; the issues which if further unaddressed would inevitably start projecting threats on Russia's sovereignty and integrity. Undoubtedly, energy has a very sensitive economic dimension for Russia.

IV. Conclusion

Several concluding propositions can be made to summarise the analysis above. First, transition of energy governance in Russia is not an anticipatory course; rather it is a reactive change shaped primarily by the international factors to satisfy the necessities of the domestic economy. Second, the transition discloses inconsistency between the objectives for the national energy policy change (being of strategic scope) and the policy instruments and institutions in practice. Third, the transition

takes a form of temporal adjustments undertaken upon a region-specific approach. Let us briefly develop these three statements.

Recently, Russia has been either the world's largest or the 2nd large (after Saudi Arabia in oil and the US in gas) producer and exporter of oil and gas. In the years of oil bonanza prior to 2008, enjoying huge export revenue windfalls Russia accumulated the world's 3rd largest foreign exchange reserves and the 7th largest sovereign wealth fund. Needless to say, the Russian oil and gas industries expose high vulnerability against the trends in the international market. This has a very serious implication for the entire Russian economy, whose budget revenue dependence on oil and gas is notoriously high. With the energy price on a rise, Russian budget seems to be somewhat secure, but this type of safety, as the 2008 demonstrated, is very fragile. In 2010, approximately 50% of the budget revenues were generated through the oil and gas revenues. With the oil sector's especially significant contribution (44% out of total 50% of revenues) to Russia's financial — consequently, social and political — stability the reform has been mainly targeting the oil industry and has primarily been designed by fiscal considerations.

Overall, Russian energy governance lacks consistency and balance between strategic, tactical and operational activities. From the outset of market reforms in the early 1990s, the Russian government has been persistently formulating the goal of liberating the Russian economy from a disgraceful rank of "resource appendage", but it failed to succeed in putting in place an adequate policy. Resource curse remains Russia's peculiarity. Even the energy sector itself remains extremely inefficient. To give but one illustration, in a shameful practice of gas flaring Russia is by far the world's leader accounting for over 30% of waste. That is why to a huge contrast to many countries, including the developing ones, such as China, which are increasingly concerned about the green energy and renewables, Russia's environmentally concerned part of energy policy has the goals of decreasing gas flaring and improvement of efficiency of thermal energy transmission network (where, according to some sources, the energy losses pile up to 40%). Set forth by President Medvedev course to modernisation left the most important segment of the Russian economy almost untouched. Modernisation itself has gained its fame for being conservative with its almost sole exclave — innovation centre Skolkovo — budded in Moscow region.

Contemporary energy governance in Russia does not follow the logic of domestic dynamism for the fuel energy complex's development stated in the Strategy 2030. Applying Duit et al. (2008) terminology of adaptive capacity of a governing system, the Russian government remains careful about "exploration" techniques yet heavily relying on "exploitation" practices, which translates into energy governance transition taking course of adjustments. Because of this apparent inconsistency between the policy instruments and the policy objectives, it is unlikely that the ambitious goals of Russia's Energy Strategy 2030 will be achieved.

The existing governance mechanism of hierarchy fits rather well the existing structure of gas (monopolist with a handful of independents) and oil (a limited number of large vertically integrated companies) industries. It appears that the

effective instruments of tactical scale, those capable of bridging the gap between the present situation and the goals set as a desirable future, are not in place yet. The government almost solely relies on its own techniques and means when deliberating the policy changes and designing their exact format. A modest growth of a number of actors involved in the policy making (expert groups, independents, local communities in energy producing areas, etc.) can be noticed, but the overall scope of social learning (Hall, 1993) is yet limited. A more conservative and pragmatic in its nature, the "rigid" governance (Duit et al., 2008) stays pretty much away from "explorative" activities attaching low importance to the experimentation and trial-and-error learning as possible means to bring about the policy change.

Along this path of adjustments in energy governance, a number of sub-patterns within Russian energy policy emerge. China, or rather the opportunities opening in this market, is one of the impetuses behind. China has become a centre of Russia's Asian energy policy. Deeply pragmatic Russia is interested to establish and maintain long-term relations with the world's already number two and yet fast-growing economy and the largest energy consumer and net-importer of oil and gas. While at the moment Russian supplies account for rather modest shares of 6% in China's imported oil and 4% in China's imported LNG, the potential is enormous as China's demand for external energy resources is projected to further increase. Thus, China's huge current demand for energy resources and prospects for its growth are the objective factors increasing the attractiveness of the Chinese market for Russia.

Importantly, for the governance featured in the above categories, it is expectedly to seek a partner whose vision on governance does not principally clash with its approach. Until now, Russia–China energy cooperation has been advanced by the SOCs with the negotiations customarily formatted to include the top government officials, often the two countries' presidents or prime ministers, or energy and industry ministers. Further on, supposed to be private, the bilateral energy projects are vastly backed up by the two governments' guarantees and special fiscal and other favourable regulative treatments. The latter was exemplified by Russia's arrangements introduced in the Far East and East Siberia to stimulate the development of the China-oriented deposits.

Among the other pragmatism feeding considerations is geographical proximity of China, which is a particularly favourable aspect granting Russia direct access to the market without any transit or intermediary issues involved. Russia seems to have digested very well the bitter experiences of the transit squabbles with Ukraine, Belarus and Poland and made transit-free principle one of the key considerations while projecting new energy infrastructure.

However, whether indeed the bilateral energy cooperation is pragmatically solid, smooth and problem-free. Certainly, it is not. Before Russia embarked on China-oriented course, there were alarming voices that by locking on China, Russia will continue fencing itself with a ring of partners who have an upper hand over it. China's ex ante dominance as Russia's major customer in Asia was forecasted to turn Russia into a price-taker. The above analysis disclosed that this threat has largely materialised. China is heavily bargaining over the new deals and is successful in

convincing Russia to discount even the previously agreed schemes. In this context, it may be asked what type of pragmatism the author is talking about then. China card (in terminology widely used in Russia to describe closer relations with China) needs to be analysed in a broader context, as a policy course helping Russia simultaneously pursue its domestic and foreign interests. Since the geopolitical dimensions of the Russo-Chinese energy relations are left beyond the scope of this work, let us emphasise the economic implication only. In the eyes of Russian policy planners, the possibility to develop a vast resource base of the Russian eastern territories adds to the attractiveness of China. The logic of advancing the socio-economic development of the Russian Far East and East Siberia through the synergic effects of energy cooperation with China is definitely incorporated in the policy-making process.

Having abandoned the eastern territories accounting for 1/3 of the Russia territory for almost two decades of the market transformation, the Russian government has eventually faced with the grave consequences of the region's shrinking populace, decaying industrial base, unemployment, decreasing living standards, etc. The government seems to have ultimately found a suitable framework for the regional policy here. In the situation of major developmental projects' rather weak feasibility or their altogether economic unsoundness, a policy pattern based upon the state's strong role with rather limited room for private initiative seems to be but only one available option. Transformation of Russian energy policy towards China needs to be understood as a pragmatic choice made by the Russian government.

Notes

1   Before the Energy Strategy of the Russian Federation until 2030 was approved in 2009, the main documents were: Concept of Russian Energy Policy in New Economic Conditions (1992), Main Provisions on Energy Strategy of Russia and Main Directions of Energy Policy and the Restructuring of the Fuel Energy Complex of the Russian Federation until 2010 (1995), Main Provisions on Energy Strategy of Russia until 2020 (2000), and Energy Strategy until 2020 (2003).

2   Tsygankov, A. (2009) *Does Russia Have a Grand Strategy?* International Studies Association, New York, February 13–16. p. 25.

3   Putin, V. (2006) Vstupiteljnoe slovo na zasedanii Soveta Bezopasnosti, posvyachyonnom meram po realizatsii Poslaniya Federaljnomu Sobraniyu. June 20. Retrieved from http://www.kremlin.ru

4   Export revenues have immensely contributed to Russia's gold and foreign exchange reserves, making them the world's third largest.

5   Data are retrieved from the Central Bank of the Russian Federation http://www.cbr.ru, Federal State Statistics Service of Russia, http://www.gks.ru/, and Institute for Complex Strategic Studies, http://www.icss.ac.ru/macro/.

6   Long Term Concept for Social and Economic Development of the Russian Federation (2008) ; Medvedev, Dmitry (2009), "Go, Russia!" September 10. Retrieved from http://74. 125.77.132/search?q=cache: mYsxBNxlWRgJ: eng.kremlin.ru/speeches/2009/09/10/1534_ type104017_221527.shtml+go+russia+medvedev+article&cd=1&hl=en&ct=clnk;Presidential Address to the Federal Assembly of the Russian Federation. November 12, 2009. Retrieved from http://eng.kremlin.ru/speeches/2009/11/12/1321_type70029type82912_

    222702.shtml

7   Retrieved from http://old.er.ru/text.shtml?11/1107

8   Surkov, V. (2006) *Sovereignty is a Political Synonym for the Ability to Compete.* Public Speech, February 7.

9   The opponents went as far as to call it "elaborate sham".

10 Retrieved from http://archive.kremlin.ru/eng/text/docs/2009/04/215305.shtml

11 Statement by H. E. Mr. Sergey V. Lavrov, Minister of Foreign Affairs of the Russian Federation, at the 66th Session of the UN General Assembly, September 27, 2011. Retrieved from http://www.rusmission.org/policy/36

12 Seeking a Candidate of Sciences degree in Economics with specialization in National Economy Planning and Management, defended at Saint Petersburg Mining Institute in 1997.

13 Translated into English excerpts are available in Balzer, H. (2006) Vladimir Putin' s Academic Writings and Russian Natural Resource Policy. *Problems of Post-Communism.* 53.1. 48–54; and Balzer, H. (2005) The Putin Thesis and Russian Energy Policy. *Post-Soviet Affairs.* 21.3. 210–225.

14 Previously undeveloped deposits.

15 Additionally, in 2006, the State Duma adopted a bill on gas export, which expanded Gazprom's export monopoly to non-pipeline gas, such as LNG and condensate, and limited the private companies' activity in gas trading. Gazprom is reluctant to accept the spot trading and secondary short term markets for the capacities. In Gazprom's view, the capacity auctions are dangerous as they allow additional benefits for traders but do not have positive spillover on long-term investments in the capacity-building. By the same token, Gazprom defends its interests in overseas energy infrastructure, especially in the states of the FSU, but also in the CEE countries — EU members.

16 There is only one privately owned oil pipeline — Caspian oil pipeline linking Tengiz field in Kazakhstan and Novorossiysk. Also, Lukoil announced its plan to build a pipeline from Kharyaga oil deposit to Varandey terminal located in the Nenets autonomous area. The 160 km pipeline is expected to increase the volume of oil export not controlled by the Russian government by 4.5 mln t; its capacity is 8 mln t/y. URL: http://www. barentsobserver.com/lukoil-to-build-its-own-oil-pipeline.4629416-116321.html

17 In accordance with this practice, for example, in 2010 the federal government's officials were represented as follows: Gazprom — First Deputy Prime Minister (chairman), Minister of Industry and Trade, Minister of Economic Development, Special Representative of President for International Cooperation; Rosneft — Deputy Prime Minister (chairman), Head of the Federal Agency for State Property Management; Transneft — Minister of Energy (chairman); Zarubezhneft — Minister of Energy (chairman); RZD — Deputy Prime Minister (chairman).

18 See: http://ey.mobi/Publication/vwLUAssets/OG-Tax-guide-2010-EN/$FILE/OG-Tax-guide-2010-EN.pdf

19 The scheme embraces 22 fields, including: Vankorskoe gas-oil deposit, Yurubcheno-Tokhomaskoe oil-gas condensate deposit, Talakanskoe (including Eastern bloc) oil-gas condensate deposit, Alinskoe gas-oil deposit, Srednebotuobinskoe oil-gas condensate deposit, Dulisminskoe oil-gas condensate deposit, Verkhnechonskoe oil-gas condensate deposit, Kuyumbinskoe oil-gas condensate deposit, Severo–Talaksnkoe oil deposit, Vostochno–Alinskoe oil deposit, Verkhnepeleduiskoe gas-condensate deposit, Pilyuduiskoe oil deposit, and Stanakhskoe oil-gas deposit, etc.

20 To include: recoverable oil reserves ≥ 70 mn t; extractable gas reserves ≥ 50 bln cm; all subsoil blocks fully or partly situated in Russian inland seas, territorial waters and

continental shelf; all subsoil blocks on defense and security-related land; all reserves of uranium, diamonds, nickel, cobalt, titanium, platinum and certain other minerals, as well as large reserves of gold ($\geq$ 50 t) and copper ($\geq$ 500,000 t); and onshore projects using defense/security land, as well as offshore or maritime projects, which are only open to Russian entities, with strict provisions on state ownership levels for offshore projects and limited foreign participation in onshore projects.

21 Exemplifying the oil sector, there are: tariff rate for services related to fulfillment of orders and oil dispatching to refineries located domestically and in the Customs Union (UC) member-states; rate for such services provided beyond Russia and the CU; rate for pumping services; rate for shipment, loading/discharging, and receiving/delivering; agreed tariff rate; long-term tariff rate; competitive tariff rate; and network tariff rate. See: Shcherbanin, Y. (2009) Russia's crude oil pipelines and their tariff system// Northeast Asia Energy Focus. Winter. pp. 48–53.

22 Resursnaya baza: 'Slivki' konchilis//Neftegazovaya Vertikal. Vol. 5, 2010. 40–52.

23 For instance, in 2008–2009, the government transferred a number of strategic fields directly to Gazprom, Rosneft, and Surgutneftegaz.

24 Government Decree N787–P. 15 June 2009.

25 See: Shadrina, E. (2004) Energy cooperation in Northeast Asia. JIIA Fellowship Occasional Paper 27. — Tokyo: The Japan Institute of International Affairs 〈http://www2. jiia.or.jp/pdf/russia_centre/h15_cis/12.pdf〉, and Shadrina, E. (2004) Is Pacific oil pipeline to breathe new life into Far Eastern economy?/ In 平成15年度 外務省委託研究報告書。ロシア CIS の資源戦略調査。平成16年3月。財団法人日本国際問題研究 (Report on the year 2004 study on Russia and CIS countries' Resource Strategy. Ministry of Foreign Affairs: Japan Institute of International Affairs. March 2005).

26 Asian Times. Online. September 27, 2011.

27 First phase of the ESPO consisted of ESPO 1 (Taishet — Skovorodino) and Skovorodino — Mohe — Daqing pipeline, Second phase of the ESPO is ESPO 2 (Skovorodino — Perevoznaya Bay).

28 Ahn, Se Hyun and Jones, M. T. (2008) Northeast Asia's Kovykta conundrum: A decade of promise and peril *Asia Policy.* 5, 105–140.

29 Gazprom owns over 40 licenses granting the rights to subsoil sites use, among the largest ones are: Kovyktinskoe deposit in Irkutsk Region, Chayandinskoe deposit in Yakutia, Chinanskoe deposit in Irkutsk region, Sobinskoe deposit in Krasnoyarsky krai, Kirinskii, Vostochno — Odoptinky, and Ayashsky blocks in Sakhalin-3 and Zapadno — Kamchatsky block.

30 Dannreuther, R. (2003) Asian security and China's energy needs. *International Relations of the Asia-Pacific.* 3: 211.

31 *Energy Security in Asia* (2007) Wesley, M. (ed). London-New York: Routledge. p. 22.

32 Yishan, Xia (2000) *China–Russia Energy Cooperation: Impetuses, Prospects and Impact. Japanese Energy Security and Changing Global Energy Markets: an Analysis of Northeast Asian Energy Cooperation and Japan's Evolving Leadership Role in the Region.* China Institute for International Studies, Center for International Political Economy, James A. Baker III Institute for Public Policy Rice University.

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Non Governmental Organizations (NGOs) in Developing Countries:
Key Challenges and Ways Forward

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Abstract

The definition of 'NGO' varies from one country to another and it is often related to a variety of internal and external factors such as the legal framework with which they are regulated and/or the types of activities these organizations engage with. In Japan, for example, NGOs are commonly confused with NPOs (non-profit organizations) which are more domestic-services oriented. In European countries, on the other hand, NGOs refer only to those organizations which engage in overseas aid programs, such as development assistance and emergency relief. By understanding NGOs in this latter way, this paper will discuss the role of foreign NGOs in developing countries and the key challenges they usually face. Exploring the complexity of the environment in which most of these organizations operate will allow the author to give some practical recommendations on how NGOs can overcome some of the major obstacles and consequently be able to maximize their social impacts.

Keywords: NGOs, social development, key challenges, policy implications

1. The Role of NGOs in the Developing World

In the developing world, NGOs are very much recognized by both the local and international communities. Many governments of developing countries agree that working with the NGOs is one of the strategies to social development programs, especially in poverty eradication. The roles of NGOs can be categorized according to these two approaches: (1) supply side and demand side (Clark and Lee, 2006); and (2) micro tasks and macro tasks (Fowler, 1997). From the supply side and micro task approach, many NGOs function as service providers of various public services to those who need them. Examples of which are basic education to the children, basic health care to the rural community, capacity building of the community members and financial assistance which is unattainable by some of the government institutions. Therefore, we can say that NGOs play a sort of complementary role to the government services. On the other hand, the demand side and macro tasks pertain

to indirect roles of the NGOs, such as acting as pressure groups to the government and speaking on the behalf of the people to influence the policy making process. In some places, NGOs act as watch bodies that scrutinise the actions of the players in the development process and engage in policy advocacy. The ability of NGOs to influence national and sectoral policies is crucial to ensure the protection of people's welfare. They are intended to bring a broader societal impact. This is very much true in the case of NGOs involvement in poverty eradication and community empowerment in Indonesia. For example, *Yayasan Bina Swadaya* (YBS), an established NGO since 1985, provides various types of public service ranging from human resources, strengthening local institutions, providing microfinance services, and selling and distributing various information and products. At the same time, they are also active in society empowerment programs to improve the standard of living of the people. This NGO has worked for the society at Sidamulya village in East Java, where the majority of the people are farmers with no stable income. YBS serves as facilitator of the self-help groups by providing micro finance and micro business. It plays the role of connector between the members, government institutions and corporations, and helps to establishes networks among sectors. The group had significantly improved since it was formed in 1985, with a membership expanded from 34 members in that year to 206 in 2007. The village has now a microfinance provider which is run by the group members. The maximum loan that the group provides is up to Rp. 400.000 without guarantor, their saving in the bank is Rp. 1,260,000 and their assets are worth Rp. 86,671,000. This is just one of the many successful stories describing the effective roles of NGOs in developing countries. Their roles are crucial to bring the changes in the lives of the community they serve. Nevertheless, it is not an easy pathway for NGOs to harness their resourses to the maximum. In recent years, however, NGOs are gradually moving from being the service providers to establish themselves as the policy advisers. Many of them also have the mixture approaches to tackle the issue of poverty and development. To some extent, NGOs are playing multiple roles and juggle between different tasks. Consequently, they might end up with losing their main focus by playing multiple roles and trying to be society's heroes in different aspects.

2. NGOs Greatest Challenges

Robinson (1992) investigated 16 development projects implemented in some developing countries and he found that three factors were most significant variables in determining the success of those projects: (1) genuine participation; (2) strong and effective management at project level; and (3) skilled and committed staff. He explained that the success of NGO interventions was very much related to the role played by the front line staff. These had a sort of intermediary role to play between participants of the project and managers who take the final decisions about the project. Performing this role in a good way would ensure the success of the projects being implemented. Therefore, he advised NGOs to invest in training courses for front line staff before engaging them in developing projects. However, what we

would argue here is that a trained front line staffs is not the only element for success. NGOs constantly face challenges because they operate in a complex system of financial flows, competing organizational interests, evolving context and changing understanding of humanitarian and development process. As a result, NGOs are subject to many different pressures, some of which encourage good practices while others do not. Many studies showed that there are four major themes discouraging positive change among the NGOs:

a) *Conceptual Issues*

Many NGOs are confused with their own missions. They are uncertain which among empowerment, service delivery and humanitarian response in the conceptual framework takes precedence over the other. The confusion can be explained by overlapping ideas among these three categories, but which, in fact, are substantially different. For example, empowerment requires political engagement, while the delivery of humanitarian aid may require political neutrality. Development presupposes a long term support but humanitarian aid has to do with short term interventions. NGOs do not distinguish between these concepts. Due to this situation, debates between politicians, donors and NGO managers and field staff are often misunderstood at a very early stage.

The problem of 'Project' as a Unit

Many NGOs use the logical framework analysis (LFA) as a management technique for explaining the specified projects. Ebrahim defines the LFA as a technocratic tool which organizes and reduces the complex social and political realities into a 'project' (i.e. inputs, outputs and outcomes). This is useful for donors and central managers, who share the responsibility of ensuring that funds are used effectively through a well-thought-out plan before committing resources to an intervention. However, by "forcing its user to articulate his/her objectives within a positivist project management framework, the LFA achieves clarity in development planning by depoliticizing development intervention." (Ebrahim, 2003: 90). This proves Fowler's assertion that the "bottom line of strengthening the poor is clearly political" (1997: 6). Within the LFA approach, the success of NGOs' initiatives is determined by attainment of pre-defined targets instead of the targets' relevance. And this is inimical to the process of development which is focused on the idea of evolving situation, open discussion and participation. There is not much debate on this point, as we can see the idea of 'program' taking over that of 'project.' Yet again, 'program' also has a tendency to attract stringent specification, therefore spending more money or involving a bigger geographical area. Therefore, these two concepts inevitably continue to influence how practitioners think about development, overshadowing the ideas of participation and empowerment with the idea of what can be achieved as set out in the project plan. NGOs have difficulties in explaining how they expect to achieve their missions in practice. Two examples are EveryChild, a UK based NGO working in 18 countries round the world; and UN and international NGOs on food shortages in seven countries in southern Africa (see Box 2.1 located

in appendix).

b) *Funding Pressures*

    All NGOs agree that a big challenge to keep their door open and accomplish their mission is the funding factors. As the sources are scarce and competition is growing, NGOs need always to find sufficient funds to safeguard their project activities. Changing donors' priorities and insufficient information with regards to funding availability make the situation more difficult to handle. NGOs might have to allocate time and effort to look for the funding information and work on the funding facilities. The requirement and procedures of the donors may vary from one to another. It makes difficult for the NGOs to satisfy the requirement as set by the donors. Most NGOs are operating from two main financial sources. The first is from the institutions and the second is from the public.

Funding From the Institutions

    The money NGOs spend is mainly provided by donor institutions for specific activities. Donors include governments, UN agencies, European Commission, charitable trusts, and other NGOs. Those Donors have the responsibility to ensure that these funds are used efficiently and effectively. They have to proceed and approve many applications from various NGOs. The Donors have a tendency to make these complex problems manageable by setting up bureaucratic processes based on the unit of 'the project' and this is, as we discussed earlier, not an appropriate method to do development. Research showed that a donor's requirements for proposals and reports exert a major influence on how NGOs go about their work:

    "[T]he information requirements of funders impact NGOs not only by placing demands on their attention but also by promoting positivist and easily quantifiable valuations of success and failure. This is not an intended effect, but a systematic one that emerges from reporting and budgeting protocols that favour 'product' data over 'process' data." (Ebrahim 2003: 78)

Figure 2-1   NGOs — Donors Relationship Models

NGOs		Donors
NGOs compete for limited funds which lead to mushrooming of claims on what they can achieve with limited funds.	◄──────────	Donors prefer projects that propose to achieve lasting results quickly rather that uncertain results slowly.
Low quality upward accountability because NGOs resist funder attempts to structure their behavior.	──────────►	Lack of openness and trust towards NGOs.

Source: Developed by the author for this study.

Downward accountability to the people the NGOs aims to help is often squeezed. There is an incentive not to engage with local people if the project plan diverges from their changing realities. However new models are emerging. For example, the Department for International Development (DFID) funds a lot of NGOs through Program Partnership Agreements in the UK, which is no longer tied to projects with strict conditions. The DFID has agreed to accept progress reports in formats defined by some recipients such as Save the Children, not using LFA. The problem, however, with those new models is that NGOs face the same challenges of donors and what they do is they often re-propose systems of funding by project.

Funding From the Public

In some other cases, the NGOs receive significant amounts of funding through modest-size donations directly from individuals. For example, in 2004 Oxfam GB received $130.7 million in direct donations from individuals and $68.8 million in grants from institutions. They spent $32.7 million on fund-raising costs to generate this income. Oxfam is the biggest of all UK NGOs and no other organization has all these individual supporters (about 500,000 people regularly make donation of a few pounds every month). NGOs compete on brand for donation from individuals. Big charities like Oxfam GB have very strong brands, but it often creates pressure within NGOs who tend to simplify and sometimes sensationalize their media messages to win more attention and more money. The twelve UK NGOs that joined the UN for launching a project to reduce starvation in South Africa had joined together in a press-release which was published on 25th July 2002 that read:

"14.5 million people risk starvation in Southern Africa as the region's food aid crisis deepens... We can stop this crisis if we act now and we have a good opportunity to do so..."

A picture of an African child in very bad status was showed after this emotional presentation and 'their' ability to stop it. Emotional hiding message became periodic to keep individuals making donation.

By spending too much time for giving the feedback and reporting, NGOs main

Figure 2-2 NGOs — Individual Donor Relationship Models

NGOs		Individuals who make donations
Press release with increasingly and periodically emotional messages	◄———————————	More donations
Hiding failure of some projects	————————————►	Distortions of individuals

Source: Developed by the author for this study.

task is inevitably set aside.

c) *Internal Organization Factors*

The structure of NGOs is not the same as the structure in the government or in business organizations. It also varies from one NGO to another and it is a complicated structure. It ranges from the daily operations, human resource management, financial management, and the purpose of establishment.

NGO operations are complicated and hard to manage

It is important to recognize that NGOs face a very difficult management job. Working with cross-cultural teams who may speak different languages, distance management, sometimes in places where infrastructure is poor, the overwhelming significance of complex local context and external factors including politics, other development actors, different activities covering different technical specializations and multiple stakeholders operating in a web of relationships and making competing demands on the organization including client communities, donors, partner organizations, government department, peer organizations, staff, board members, and others. NGOs very often have a senior manager who is based in the UK or USA and four or five field-work managers based in southern Africa. Donors and Northern NGOs know very little about the reality in the South and their clients. Sometimes, big NGOs can rarely tell their field staff what to do as there is strong individualistic and independent style.

Governance Structure

Most NGOs are legally registered as charities organizations. They are governed by board of trustees who, by law, cannot be paid for their service to the organization. The board is responsible for the use of all the NGO's resources to meet its primary objectives. These boards meet few times a year and recruit a chief executive to run the organization, setting policies and strategies and overseeing performance. Normally the existing board often selects the new members, so it is often hard to find good people with the right experience, and even harder to select people from communities that NGOs aim to help. In many cases, the boards tend to be quite distant from field operations and trustees tend to rely on senior managers for information about NGO performance. This situation obviously creates a conflict of interest because those managers have to report good and bad performance to people who have to hold the NGO accountable. Senior managers feel to have authority which has been delegated to them by the board, subordinated staff feel that the NGO should be organized in a more democratic manner where everyone contribute to take decisions. The chain of commands and the linkages between local NGOs and the anchor organization is not fully understood by the field staff. Filling every board member position seems to be half the battle. It is especially difficult to enlist board members to help raise fund despite their commitment and other job descriptions which they pledged to uphold.

Growth and decentralization

Between 1990 and 1998 ActionAid's budget, for example, went from $34 to $86 million as the organization expanded to new countries and new activities. In 1995 the board of Trustees felt it was impossible to manage activities at local level, grasp all information to make good evaluation and so on. So they move towards decentralization. This caused geographical differences between countries where directors took decisions which were not fully shared by the main organization, and other countries where they did not take care of the local staff. Meanwhile the reporting and other procedures remained the same and staff had to report on things that had not relevance on what was going on the ground. The knowledge of fieldwork staff was not taking into consideration and consequently decisions to be made by managers were avoided. Decentralization is viewed as an empowerment tool to the local NGO but it does not work well in this case due to lacking of trust between the central managers and field staff. The leakage of communication and information happened between the field staff and managerial levels. Thus, this discouraged the process of inquiry and distracted the smooth run of the development processes within the organization.

d) *External Context*

Perhaps it is not fair to pin point all the weakness to the NGOs and we shall look into the environment in which they are usually operating. To some extent, external factors may influence the behavior of the organizations. Since the external factors are beyond the control of NGOs, they make it hard to predict and to react towards those challenges.

The link between performance and funding

Being the recipient of funds, NGOs cannot avoid from making communication with the donors. Both institutional and individual donors depend on information from NGOs to make their decisions and this info is often imperfect and liable to distortion. NGOs that can sustain credibility with donors may sustain their revenue. This is the game that NGOs should be able to play in order secure financial assistance from various donors and usually achieved through a combination of factors, such as brand building, personal relationships, historical reputation, size and finally performance of the NGOs.

Regulation

Due to easy setting up and raising fund for organization, thus allowing enormous freedom of action, this also means that there is little independent check on the NGO sector. In the UK, most NGOs are registered as charities and are regulated by the Charity Commission. The commission provides a basic level of regulations on financial and political matters as well as to investigate allegations of malpractice. But it does not provide any regulation of the quality of operations. The commission is not in a position to distinguish between NGO fieldwork that is excellent, indifferent, or even harmful. The regulations that had been established in today's setting

are not sufficient to support the performance of the NGOs. In actual environment, what does really matter is the quality of the works and the impact they bring into the development.

The link between Academia and Practice

There is a really wide branch of literature on NGOs from many academic fields, including case studies on impact evaluation and so on. However, NGO managers continue to make the same mistakes which have been documented and analyzed for the last 20 years. Does it mean that academics and practices are two different worlds and there is no meeting point between the two actors? In my opinion, the resources and knowledge based from the academic research is not fully utilized for the improvement in social development aspects. The gap between the academic philosophies and practices are becoming wider each day. Some scholars say that the only link between these two ideas is professional qualifications. Indeed, at the moment there is not a mandatory qualification, neither required nor enforced, for practice in the NGO sector. Thus, there are many opportunities for both to be explored that may enhance the area of social development.

3.   Some Prescriptions for the NGOs to Move Forwards

Acknowledging the plight facing by the NGOs and given the challenging changes in the typical NGOs task setting, it worth to pay attention to the following recommendations in order to keep NGOs remain relevant in today's social development. The following recommendations are exactly tackling the challenges that have been discussed in the earlier part of this paper. Of course, these recommendations may not be able to change the complex environment over night, but it must be in place to make a starting point.
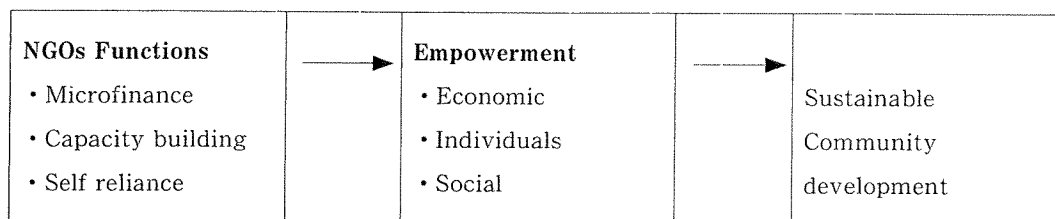
Greater Conceptual Clarity

It is important to make clear distinction between 'empowerment', 'service delivery' and 'humanitarian action'. This confusion often is reflected in NGOs mission statement by stating mission that are inspirational and often beyond their reach. It might be harmful to state the mission in that it is unrealistic. Too weak and too general mission statements might lead undesirable results of the development. Furthermore, the NGOs are putting risks by setting false expectations among all actors about the limits of their impact. NGO board members should push senior managers on the conceptual clarity of their strategic planning, and on recognizing the limits of what NGOs can achieve in practice. We are actually starting to see initiative that go exactly in this direction. For example, on April 14, 2010 in New York, *Mobile Active.org,* a group using mobile technology to advance social change in the developing world, sponsored an event called **FAILfaire** to share and understand IT and communication technology failures. **FAILfaire** began as a way for NGOs to share failures surrounding projects featuring the use of mobile phone technology in international development, and it was done primarily as a way to learn.

Alternative Units to Projects

The literature condemn 'projects' in relation to 'development', but does not suggest good alternatives. For example 'program' instead of 'project' is often recommended, but again it reflects the outputs. A more appropriate unit for development may be 'the community'. NGOs could define interventions in terms of support communities. Instead of making a commitment 'to deliver a project', they could make a commitment 'to support a community's development for a minimum of 3 to 5 years'. Then, there will have cycles of actions which resemble projects but any of these projects would be a sub-unit of the ongoing community development process and not an end in itself. NGOs must assist the community to discover their potentials and also mobilize community to be self-reliant. For example, Asset-Based Community Development (ABCD) is a process, where capacity building strategies are routinely incorporated as an important element of effective practice. It is a 'means to an end', where the purpose is for others to take on programs and an 'end' in itself, where the intent is to enable others, from individuals through to government departments, to have greater capacity to work together to solve problems. The role of NGOs in promoting development is exhibited in Figure 3-1.

Figure 3-1 The Role of NGO in Promoting Empowerment

NGOs Functions	→	Empowerment	⇢	
• Microfinance		• Economic		Sustainable
• Capacity building		• Individuals		Community
• Self reliance		• Social		development

Source: Developed by the author for this study.

Focus on the quality of the process

When it comes to community-level development, the process of empowerment is the only recognized long-term solution to poverty. NGOs must focus on 'the quality of the process' rather than on 'its results'. To this aim, it is extremely important for development practitioners on the ground to set and strive for specific results in dialogue with the people they aim to help to reflect on their actions together. It is not necessary for senior managers with an NGO (or donors) to know the details of exactly what specific interventions are aimed to be achieved. It is more important that they have confidence that respectful dialogue appropriate action and reflection is taking place. Upward accountability could be separated from the function of monitoring which brings to the question of 'are we doing a good job?' from the question 'what are we doing? Focusing on the quality of the process means to define an important question which calls all the parts involved including donors, NGO senior managers, field staff, and people within community. And the question is: *what mechanisms does an NGO have in place to foster a strong connection between staff and the people they are trying to help?*

Releasing the energy of practitioners

NGO work depends on commitment of the field staff taking high quality judgments and having the space to put them into practice. Their values are the most important when working with communities. The good judgments depend on behaviors including respectful dialogue, humility, tolerance, genuine transparency about decision making, self-critical reflection, and a sense of solidarity with the poor. Thus, the critical importance of systems is the recruiting the right staff which the NGO is lacking. Many sectors handle these problems through professional self-regulating institutes, an approach which may have a great deal to offer the NGO sector. Another way of looking at this point is through proper recruitment process at the very beginning stage. Dedicated staff is necessary to ensure the success of the project. Many people still consider working for NGOs as field staff as the last option for an employment when they are not be able to secure a job in private or public sectors. The leadership role of NGO managers as guardians of values in order to inspire staff to follow them should be recognized. It is necessary for the management of NGOs to invest in capacity building among the internal staff and the partners they are working with. Some soft skills for effective delivery or field operations such as communications skills, team building for team leaders, team work, social skills, conflict resolutions and negotiation skills. Therefore, releasing the energy to the practitioners is one of many ways to support the effectiveness of the organization that work with community and development programs.

Financial Sustainability

Traditionally, the NGOs face resources deficiency, especially the financial resources. The funding may come from various sources such as government, international agencies, corporate and individual donations which often subject to current policies, economic condition and voluntary basis. However, the NGO needs to seek for a sustainable funding resources and a mix of funding stream. Therefore they should think about new way of securing funds. 'Socially Enterprise' is most likely to be the closest solution for the sustainable funding for the sector (Laratta et al., 2011). In this context, social enterprise mean a social business with primary social objectives whose surpluses are reinvested for that purpose in the business or in the community, other than being driven by the need to maximise profit for shareholders and owners (HM Treasury Cabinet Office, 2006 p. 29). As explained by Johnson, 2009, one common explanation for the growth of social enterprise is based on the failure of both state and market. The social enterprises are capable to fill up the gap in between state and market. Social enterprise can be an option to reduce financial pressure to the NGOs as it provides efficiency, creativity and holistic due to the nature of its structure. Social enterprises brings together the economic values and the upper most important is it increases social capital through utilisation of the volunteer, community involvement, skills and knowledge, collaboration and reaching the targeted communities.

Change the Internal Context

Investing on leadership at all levels within NGOs would be clearly appropriate. It provides further opportunities for learning and reflection at the senior level. Many board members do not have the skills to judge on managerial decision so they do not have managers' understanding. But the former are suppose to judge the operating of the latter. More dialogue and training is seen as the way to get better communication and understanding the actual situations. Board members have greater responsibility as they will determine the directions of the movement and the whole actions will depend on the mission statement, plan of actions, strategies and cultures and how much money they are bringing into the organizations. Undeniably to say that it is a tough job to fill up the seat of the board members with the right candidates since they come from different background, culture and continents. Perhaps there should be set of criteria for the appointment of the senior management staff and the board members.

Many NGOs invest so much energy and resources on the work they do, but spend less on the internal resources especially the staff and could not think of the future of the organization. In order to keep the NGOs move on for a long term, they might need to think of succession planning. Managing a NGO could not be less than managing a business or a public structure where career, road map and future growth of the organization all matter. Succession planning ensures that staff are recruited and developed to fill each key role within the organization. Succession planning ensures you can fill key roles from within your organization. Meanwhile, NGOs may also have choices on how to strategize their work to achieve the goals. They may choose their working partners, the network they intend to link and the policies as a fundamental of their movement. It is not only to consider the government's policy towards NGOs but also the NGOs policy towards government. Whichever strategies they decide, it is worth to consider the existing climate. Taking the inappropriate strategies may be disastrous to the organization.

The board members may find useful to consider those questions as a checklist whether the internal management is doing good. This checklist may develop further to clarify the communication flow between the top to the bottom level staff, and the management style.

a. Is it clear what an NGO is trying to achieve and how it aims to achieve it in practical terms?

b. Do plans, reports, and publicity material recognize the limits of an NGO's potential to contribute to solutions to poverty, in relation to other institutions?

c. How are staffs encouraged to develop a strong connection with the people they are trying to help?

d. What evidence indicates the presence of a strong connection between staff and the people they aim to help?

e. Are staffs released from as much bureaucracy as possible?

f. How are staffs encouraged to maintain a strong commitment to the values

that embody good development practice?

NGOs may need sometimes to change and responds to those challenges, however, they must not forget that the internal factors come within themselves and certainly they have ability to act.

Change the External Context

By looking at external context provide us some space for reflection. *What could be done to change the external context to encourage more good practice in NGOs?* It is unlikely that regulation is the answer here; rather donors may hold the key. NGOs have the responsibility to provide institutional donors with realistic descriptions of the issues that they face on the ground and of the harmful implications of over specified project planning and reporting. This may be unrealistic to expect NGOs to act in ways that may reduce their funding. But transparency demands it. This provides no indication of the quality of the work carried out and simply encourage creativity among NGOs' financial staff. When talking about changes, it does not specify directly to the NGOs but also to the other stakeholders than bring the impact on the NGOs. Private sector and public institutions should welcome more collaboration with the NGOs and give them more support. As we understood, NGOs cannot work alone or left unsupported. We must be sensitive to the changes and provide enabling environment to facilitate the job they are doing. Rules and regulations are constructed to ensure accountability and transparency but should allow some breathing space through sharing of values and cultures, aspirations and missions between the NGOs and the members, regulatory bodies and the communities they serve. Abiding the rules and regulations is one of the ways to measure the performance and quality of the work they are doing. Different countries and donors have different set of rules and regulations which NGOs should respect. There should be close connectivity between the academia and practices. The NGOs should have more collaboration with the institutions and both are mutually complement for further knowledge sharing. It will bring about the theories and empirical cases together for better understanding of development.

4. Conclusions

This paper has discussed the key constraints that hold back NGOs from maximizing their social impacts and has proposed some recommendations to counter to those challenges. Whether the challenges are conceptual issues, funding pressures, internal organizational factors and external factors, NGOs are constantly facing the difficulties, thus reducing their effectiveness on the society. There are wide ranges of options that the NGOs could take in order to make their existence relevant in the developing countries. It always available rooms for further collaboration between the practitioners and academia to explore the area of managing the NGOs, effectiveness of practising social enterprises for their financial sustainability and other related areas that may help the practitioners enhance their impact on the society they

serve. From the internal perspective, the NGOs have greater ability to reflect and control the issues and challenges as compared to external factors which sometimes are beyond the control of NGOs. They probably may try to reduce the risk by responding to such pressures from external factors. Based on this discussion, we can conclude that the system of donors and implementing agencies which have grown up in unplanned manner now includes structural impediments to good practices. The fundamentals of good practices have been overshadowed by competing bureaucratic concerns, the pressure of raising funds and a loss of conceptual clarity. With no commitment to rectify the situation in the way which was recommended in this paper, NGOs performance will continues to vary between the indifferent and the harmful.

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Appendix

Box 2.1: Examples of NGO activities that experienced difficulties during the implementation of their respective projects.

EveryChild

EveryChild works as charity foundation focusing on the rights of children. In 2002, they had an annual income of $13.8 million. In 2004 its mission statement began:

> *"EveryChild's mission is to empower families, communities and their governments to provide the best environment for children to develop..."*

The above mission statement is a big mission. To achieve it will require substantial changes at all levels of society, including economic, political, and cultural institutions which provide resources or influence the NGO. Furthermore, EveryChild does not suggest whether it will achieve this mission on its own. Nor does EveryChild explain how it will expect to engage with all those other institutions to contribute effectively to 'empowerment'. It further reinforces that the NGO cannot explain how their actions will contribute to realize its missions.

United Nations and International NGOs

In 2002, the United Nations and other International NGOs had launched a major response to what was seen to be the serious risk of acute food shortages in seven countries in southern Africa. Twelve of the largest NGOs spent approximately $447.2 million on this response in a one-year period.

The ODI (Overseas Development Institute) carried out an extensive study of the international response, with a particular focus on conceptual issues while the external publicity was focusing on a simple message of hunger and impeding starvation; internally agencies realize that the situation was much more complicated. The study found there was a big confusion among the 12 NGOs regarding the nature of the crisis they were facing and how they should respond. "In Malawi and Zimbabwe the situation was variously described to the research team as: humanitarian crisis, an HIV/AIDS crisis, a long-term crisis, a livelihood crisis, a development crisis, a government crisis, a manufactured crisis, a food-shortage crisis".

Using Place Brands to Revitalize Rural Regions:
the Case Study of Toya-Usu Geopark in Hokkaido

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Abstract

This paper uses a 'place branding' framework to identify differences in the ad-ministrative mechanisms of national parks and geoparks in the context of rural revi-talization. After briefly reviewing some of the reasons why rural governments are increasingly involved in tourism policy-making, national parks are introduced as a senior system of place brands. Despite their varied benefits, assembling a holistic place brand around national parks presents many administrative challenges, which are investigated using findings from an empirical case study of Toya-Usu Geopark, among the first to be designated in Japan. The findings reveal a geopark agenda which differs in terms of i) sustainable development; ii) proactive conservation and iii) stakeholder collaboration. The geopark can become a powerful place brand by allowing a more active promotion of regional resources, providing a platform for marketing opportunities through use of a logo, and harnessing effective local partner-ships. However, although a broader range of stakeholders has been included in the management structure, positioning in the sustainable tourism industry will entail considerable overlap with other eco-brands such as national parks, so careful brand management is required.

Introduction: Branding rural places for revitalization

In an era of increasing competition between global markets, branding via certi-fication offers an important point of differentiation. The Forest Stewardship Coun-cil (FSC), for example, sets standards, and provides independent certification and branding of forest products, thereby offering post-modern consumers the ability to choose verified timber or other products from socially and environmentally respon-sible forestry management. Thus encouraging consideration of 'sustainable' choices among consumers can in turn indirectly raise environmental awareness.

Increasingly, such intangible 'brands' are certifying not only products and serv-ices but even places. "When geographical locations are branded like products and services, the brand name is then often the actual name of the location. A branded place makes people aware of the location and connects desirable associations"

(Keller, 1998). An increasing body of research has highlighted the transition of certain aspects of commercial branding into the corporate social responsibility arena and thus into public policy-making (Kotler *et al.*, 1993; Rainisto, 2003). Corporate branding techniques are being actively employed by government institutions today as a way of capturing the attention of global audiences, and focussing the output of local industries and other stakeholders.

Such 'place branding' faces criticism due to its intangible nature, which makes objective evaluation even more difficult than more orthodox commercial brands. Critics claim that the only thing new about it "is the conscious application of marketing approaches by public planning agencies" (Ashworth and Voogd, 1994: 40). Yet place branding offers some significant benefits, including opportunities for forging synergies, networks and collective marketing. Moreover, the idea of a local 'brand' is especially persuasive to governments in rural areas which are increasingly squeezed by the indirect effects of neoliberal economics, notably market liberalization. A revitalization counterstrategy is vital for such areas because new technologies and socio-economic change has led to ageing, 'hollowed-out' communities, with reduced employment opportunities and a shift from primary to tertiary industries. Yet at the heart of this revitalization drive lies a paradox, for even as the socio-economic 'vitality' of rural communities has been diminished, the spread of market-based reform has thrust service-based economies such as tourism to the fore, underlining the importance of intangible assets such as heritage sites and protected areas that could function as 'brand markers.'

Place branding in Japan   The twin agendas of 'place branding' and 'revitalization' are readily reflected in Japan's rural governance (Rausch, 2006). For Japan's meteoric post-war economic growth and the continued success of its manufacturers — notably in the electronics and automobile sectors — has been counterbalanced by a radically restructured countryside. The combination of high-maintenance, mountainous terrain and centralized economic development, underpinned by the free trade provisions of the General Agreement on Tariffs and Trade GATT and its replacement the World Trade Organization (WTO), has undermined the former linchpins of the rural economy, in particular farming and forestry. Communities in the rural peripheries have also suffered greatly from declining employment and rapid ageing, leading to a 'hollowing out' effect due to the 'pull' of employment and 'push' of depopulation, coupled with widespread fiscal deficit.[1] For example, local debt increased rapidly from over 21 trillion yen in 1998 to 38 trillion yen in 2000 (Ito, 2002). Thereafter restructuring such as the Trinity Reform has reduced — or at least displaced — much of this debt mountain, but the socio-economic outlook for many rural regions remains uncertain, with many municipalities facing fiscal insolvency.

If the need for revitalization is nothing new to Japan's rural regions, neither is the idea of a place brand; it dates back to at least 1980 when an *Isson Ippin* (One Village One Product) campaign was launched in Kyushu. Thereafter, place brands increased in number and diversified from individual products or regional specialities, such as *Shinshu Soba* (buckwheat noodles from Nagano) to attempts to pro-

mote the added value of the entire region, such as the Shinshu Brand. This shift from individual products to attempts to promote the added value of entire regions, resulted in "extended territorial products" (hereafter ETPs), which can be defined in two ways (Ashworth and Voogd, 1988):

i) a geographical area can be considered as a whole in terms of the infrastructures, activities, atmospheres and any other symbolic factor it may represent;

ii) or identified on the basis of its specific characteristics: i.e. the services it offers, structures dedicated to specific functions, etc.

One market leader was Aomori Prefecture's Brand Management (ABM), set up in 2002 after collaboration between a Sony marketing team and prefectural government. Market research on local residents and potential consumers from the Kanto area elucidated the perception of Aomori's image from an internal and external viewpoint, and the subsequent strategy aimed to link tourism, agricultural products, regional goods and lifestyle into a comprehensive repackaging of the Aomori brand. Yet despite receiving considerable attention in the media, the ABM project was unhinged by a lack of longevity and political unity, after the banner-waving Mayor resigned in 2003. Nonetheless, the Aomori example inspired a wave of place brand initiatives across the country, with the number rising rapidly to peak in 2006 when the Nikkei database recorded 221 hits for the term *Chiiki Burando* (regional brand) (Nakajima, 2008).

Can places be brands? Given this long pedigree of place brands which have been introduced in an attempt to counteract rural decline, Japan's countryside seems an excellent testing ground for the idea that ETPs can become place brands. The link between brands and regional development is nothing new, with a lengthy track record of successful products demonstrating that consumer allegiance can be forged over decades of fine craftsmanship. For example, Agordo (in Northern Italy) has long been known for its exclusive glasses, while the Aran Islands (in Ireland) are renowned for woollen sweaters. Yet the idea that policy-making can transform an ETP into a place brand is comparatively untested, and seems a somewhat fragile supposition relying as it does on government funding or certification systems designed to offer consumers a choice of socially and environmentally responsible products, services and places. Empirical evidence concurs that, although branding is now a multi-billion dollar industry where places have become 'commodities' to be consumed and sold aggressively, the patchy track record of place brand case studies is typified by the ABM example.

Yet although successful examples of place branding may be in short supply, rural governments can ill afford to ignore the opportunity of building a distinctive image in the minds of urban consumers who can choose from an 'on-line supermarket' where places are akin to products on the shelf.[2] Whether the industry is tourism, agricultural products, or real estate, it is this susceptibility to global

competition, combined with the inherent need for revitalization that has triggered a rapid increase in rural branding-based initiatives. Focusing on this intersect between revitalization and place brand, this paper will investigate how extended territorial products can play a decisive role in the process of competitive differentiation between places, using the case study of sustainable tourism in protected areas of Hokkaido in Japan.

Branding tourism destinations

The body of place branding research identified above is necessarily broad; countries, regions and cities compete for inward investment or aid, human resources or markets for products and services. They share only a common goal of "bringing added attraction to a place...to build the brand identity" (Rainisto 2003: 12). Nonetheless, for rural areas faced with depopulation, reduced employment and shrinking tax bases, there are often only a handful of viable strategies for forging a 'place brand' strategy. These either involve leveraging the added value of distinctive local products (e.g. from farming or forestry) or encouraging the influx of people (through job creation, social housing, real estate or tourism). Of these, tourism is ubiquitous on account of its perceived ease of implementation and economic impact. Tourism also strikes a chord with post-modern paradigms of environmental governance aimed at 'sustainable development' through transition management "which seeks to guide the gradual, continuous process of transformation of socio-political landscapes, socio-technical practices and 'the structural character of society' from one equilibrium to another" (Meadowcroft, 2009). The realities of shaping rural regions into sustainable tourism brands will now be discussed.

Historically, manipulation of tourist destination image in order to actively encourage visits by groups of people is nothing new; by 1842 Thomas Cook, an English Baptist minister and social reformer, had "combined his visions of democratic travel and the promotion of sobriety, with the chance to profit financially from the opportunities for taking townspeople to the countryside or abroad" (Graburn, 1989). From Cook's trips to Scotland and 'grand circular tours' of Europe, the global tourism industry expanded exponentially, generating some $5.7 trillion of value added in 2010, or more than 9% of global GDP (WTTC, 2011). Today the industry itself remains the most prolific producer of tourism 'brands,' using targeted images of sun-soaked beaches in Winter to aggressively drive holiday reservations in the coming Summer season. However, heightened competition among destination marketing organizations — combined with growing environmental awareness and the need to revitalize rural regions with few alternatives for job-creation — has also encouraged a heightened role for government in sustainable tourism policy-making.

National parks as place brands Given this bigger role for government in linking tourism to sustainable development targets, protected area management can be seen as a litmus paper for understanding how environmental trade-offs are struck and best-practise branding operationalized in the field. As the 'gold standard' of protect-

ed areas, national parks symbolize many of the core issues, and can even be portrayed as pioneering examples of 'place brands,' in the sense that they are extended territorial products which function as an umbrella for multiple individual brands.

Since their emergence in the US in 1872, national park ideology sought to 'set aside' areas of value in terms of landscape — and later biodiversity — for the benefit and enjoyment of all. Henceforth, a paradigm shift towards 'community-based conservation' has seen 'integrational' national parks designated around the world, including in areas with greater population densities and less pristine biodiversity. Yet despite the inherent differences in global natural resource management, national parks by definition represent the pinnacle of any country's environmental policy, and therefore contain the "compelling, relevant point of difference" which epitomizes branding (Kotler *et al.*, 1993). Given their ability to attract tourists to peripheral and depopulated areas, national parks should thus be the 'jewels-in-the-crown' of a place brand, providing a range of economic benefits including "job-creation, inward investment, enhanced tourism, and a stronger identity for the marketing of areas and their products" (Warren, 2002).

There is good evidence to suggest that 'set-aside' parks in particular do indeed fulfil a role as place brands; parks in the US, for example, are estimated to support $13.3 billion of local private-sector economic activity and 267,000 private-sector jobs (Hardner and Gullison, 2006). The added value of the US national park brand thus acts as an economic growth pole for rural regions, counteracting depopulation and encouraging an influx of businesses and individuals to the extended area. Meanwhile more integrative styles of park management in Europe also seek to leverage the brand value, albeit in less obvious ways. For example "French Regional Parks...support local economic activities through the promotion of regional produce and products, and the broader revitalization of local commerce and industry (McCarthy *et al.*, 2002). This latter function is especially important to counterbalance the colonization of rural business opportunities by centrally run business chains. Thus the benefits of national parks as place brands are varied, extending beyond mere economic value to include conservation of local nature and culture, a tool for education that fosters environmental stewardship.

Barriers to branding national parks   However, that same diversity can also be highly problematic in terms of branding ETPs. In branding terms, the creation of a durable destination brand requires the identification of brand values, the translation of those into a suitably emotionally appealing brand personality and the targeted and efficient delivery of the brand message. Yet as Rothschild (1979) notes, the issue is complicated by certain features of place products, notably the intangibility of nonbusiness (i.e. non-profit or public) goods and the nonmonetary price of purchase. Moreover, eco-brands such as national parks require extra maintenance due to their roles as public goods requiring sustainable management, including minimal environment and cultural impacts. Thus managing national parks entails the bundling of different and sometimes disparate sets of values, resulting in two important differences from commercial brands; multiple objectives and tiered administration.

In the first instance, multiple objectives are an inevitable side-effect of the trade-off between protection and promotion of resources symbolized by opposing development and conservation factions. This underlying tension at the heart of national parks stretches back to the embryonic era of early 20th century US parks, and the ideological rift between 'conservationists' who favoured the concept of 'sustainable yield,' and preservationists, who were opposed to the principle of resource extraction. "When preservationists lost the battle over the Hetch Hetchy Dam they realized that needed to promote parks in order to gain support from the public and Congress for their protection" (McKinlay-Jones, 2000). They realized, in short, that bipartisan collaboration was vital in order to confront the imminent threats of commercialization and railroad development. Yet the compromise system of national parks which emerged inadvertently aligned conservationists with a range of local tourism enterprises. This uneasy alliance manifests itself today in any number of contentious issues from restrictions on access for visitors to stricter planning permission laws to regulate residential communities and infrastructure within park-land. Behind the scenes, mixed motivations also impede the effectiveness of decision-making units, resulting in a loss of brand identity so that many visitors — and sometimes even local residents — are unaware of key values, management goals or even of the very existence of national parks themselves.

In the second instance, the decision-making units themselves are unclearly defined due to overlapping tiers of administration, including national and local government agencies and a range of other stakeholders. Given that they are national parks, delegation of administrative duties might appear to be a fait accompli; after all, if *national* government has jurisdiction, why should prefectural or municipal governments attempt to involve themselves with administration? The answer lies partly in property rights; the term 'national' does not preclude private land ownership in most models of park management, instead, long histories of property or land use rights in Europe and Japan were merged with the new ideology of national parks, resulting in a system that accommodates multiple landowners via "park management by zoning and regulation," or "multiple-use parks" (Hiwasaki, 2005). Moreover, in the absence of a single administrative agency akin to the US National Park Service, Japan's system relies upon informal cooperation between multiple stakeholders. Yet administration is further complicated by the ambiguous relationship between some of those stakeholders, particularly different branches of central government, notably the Ministry of Environment (hereafter MoE), the designated managers under the Nature Parks Law, and the Forestry Agency, who are the principal land-owners, including 78% of all Special Protected Areas vital to conservation policy (FA, 2007). Other central state actors include the Ministry of Land, Infrastructure, Transport and Tourism (MLIT), who have jurisdiction over riverbeds and roads and the Agency for Cultural Affairs who deal with natural monuments under the Cultural Properties Law. These are in addition to prefectural and municipal governments, NGOs, citizen groups and the private sector.

Given this tiered administration, and the complicated mosaic of stakeholders with different and sometimes disparate objectives, it seems that national parks, far

from functioning as efficient 'eco-brands' can conversely add another layer of bureaucracy to complex land management systems. If this hypothesis is true, it seems logical to expect that local governments — whose livelihood and very existence is being challenged by the fierce pressures of the rural revitalization rhetoric — should seek alternative methods to 'brand' their prized assets. In fact, this situation is already unfolding at Japan's rural extremes, as peripheral areas compete for a niche in the rapidly-evolving global market. In Hokkaido, a series of international 'eco-labels' have emerged in the field of sustainable tourism to protected areas, epitomized by Shiretoko's designation as UNESCO World Natural Heritage in 2005. This paper seeks to clarify core differences between 'eco-labels' to find out if combining designations provides valuable reinforcement of management goals, or leads to additional overlap.

Sustainable tourism in Hokkaido

Hokkaido makes an excellent case study because it is at the forefront of rural revitalization issues. As the most northerly of Japan's four main islands, it was sparsely inhabited by communities of indigenous Ainu prior to the colonization program implemented in 1869 by a Development Commission whose policy-making was based on Western agriculture and mining. The program was broadly successful from a demographic perspective, although biodiversity paid a heavy price, with the eradication of native species such as the Ezo Wolf. Today, agriculture and other primary industries still play an important role in Hokkaido's economy; with one quarter of Japan's total arable land, it ranks first in the production of soybeans, beef, wheat and potatoes among others.

Yet tourism is reckoned to be Hokkaido's largest industry in terms of employment, even after a heavy seasonal bias is taken into account. After Japan's domestic tourism boom from the 1960s, visitors to Hokkaido increased markedly in the early 1970s due to growing prosperity and higher levels of car ownership. In 1981, Hokkaido became one of the first prefectures to embrace tourism as a policy when the prefectural government announced systematic plans for the development of 'recreation.' However, since the peak in 1999, tourism numbers have been stagnant and gone into decline in the past years. Exacerbated by Hokkaido's geographically vast areas that have the highest rate of depopulation in Japan, tourism in peripheral areas has faced a host of problems linked to location, operating economies and management of attractions, and community support and infrastructure in the surrounding areas (Prideaux, 2002). Faced with such perennial challenges, government counterstrategies have tried to leverage the added value of 'place brands' including primary produce such as milk and vegetables, and regional specialties such as Yubari Melons. Yet there have been few attempts to use protected areas such as national parks as an umbrella brand to revitalize Hokkaido's rural regions.

Hokkaido's image as a sustainable tourism destination is firmly positioned around 'nature,' rooted as the island's development has been in imagery borrowed from the

American Wild West. Within this nature-based tourism market, national parks are a vital asset for Hokkaido; their role as brand markers has a 'halo effect' which has long underpinned marketing campaigns; for example, images of rugged scenery from Daisetsuzan's snow-capped peaks to Shiretoko's sea ice are routinely used to suggest bountiful, untrammeled nature.

National parks are also effective place brands in their own right, ranking among the most common destinations for overnight stays in Japan, with 55% of all tourists in a national survey motivated by hot springs and 46% by natural scenery (Naito, 2003). Hokkaido has an abundance of both, with the largest number of hot spring visitors of any prefecture in Japan, and six national parks which, despite covering only 6.5% of the land mass, are important for two reasons. Firstly, the ratio of national land ownership is higher in Hokkaido's parks (average 84%) than the rest of Japan (53%) (Yamanaka, 2006). They also have very large proportions of Special Protection Areas, as demonstrated at Shiretoko where it accounts for 61% of total area (no other park has over 50%). These two factors combined make them an excellent barometer of central government's policy-making in the sustainable tourism arena.

Despite the seeming abundance of such wild credentials, evaluating the 'success' of Hokkaido's national parks is complicated by the multi-objective, multi-tiered administration described above. But like corporate products, the effectiveness of place brands can be appraised in terms of the realisation of set targets, either abstract (e.g. image) or concrete (e.g. turnover). To investigate the former, a choice experiment was conducted to investigate the value which respondents attach to visiting Hokkaido's six national parks. The highest willingness to pay was 80,767 JPY for Shiretoko, suggesting that visitors are prepared to pay a premium for the UNESCO World Natural Heritage brand. The lowest WTP value was 16,476 JPY for Shikotsu-Toya (Shoji et al., 2010).

Turning to more concrete indicators, the annual number of visits to all of Japan's 29 national parks — albeit a crude barometer of success — is estimated to have declined 17% by 2008 compared to the peak in 1991. Visits to Hokkaido's six national parks shrank by over 42% during the same period. The reasons for this decline are manifold, but the total number of visits to all parks shows broad correlation with economic indicators such as GDP. However, when individual parks are examined, a divergence emerges between a small number of highly-popular parks in which visitation has remained constant and the rest which have shown marked decline. For example, annual visits to Fuji-Hakone-Izu exceeded 100 million in 1986 before peaking at 112 million visits in 1992. But while visits to Fuji have since dipped slightly before regaining almost peak levels, the numbers at Hokkaido's parks have fallen away dramatically (Jones, 2012).

Sustainable tourism at Shikotsu-Toya To investigate this rapid decline, Shikotsu-Toya will now be examined in more detail. Designated in 1949, it is Hokkaido's second largest national park covering an area of almost 1000 square km. Conveniently located just 100 km South West of Sapporo (the prefectural capital), or
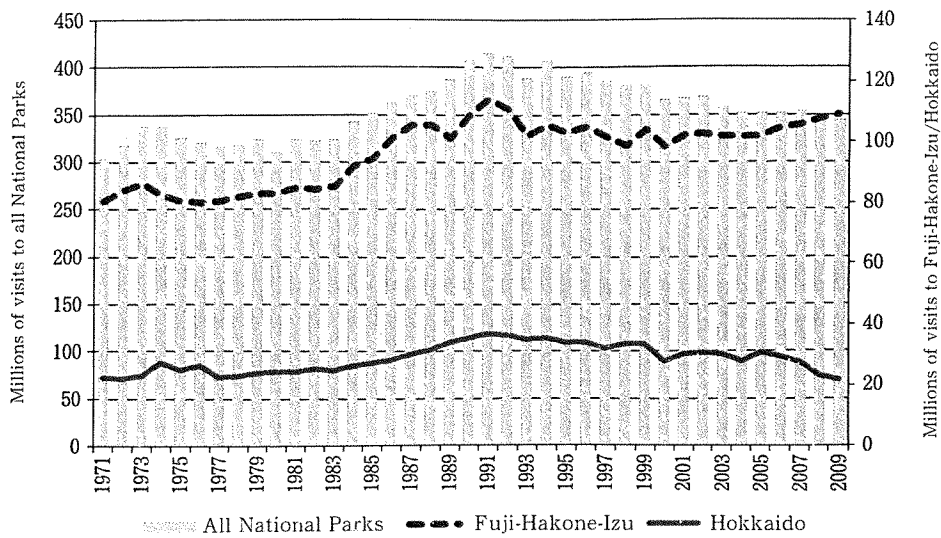
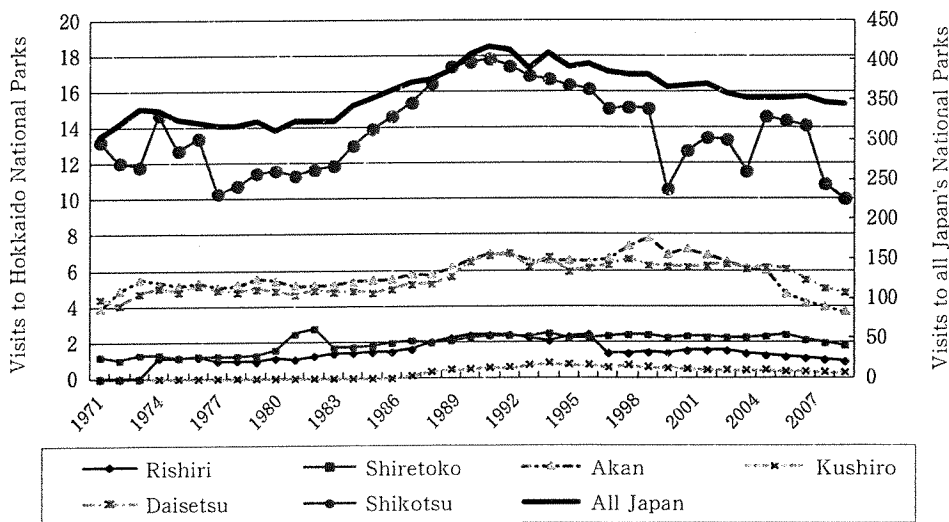**Figure 1**   Estimated Japanese national park visits 1971–2009

Figure 2   Estimated visits to Hokkaido's national parks 1971–2009

a 1.5 hours' drive from Chitose Airport (the main gateway hub), Shikotsu–Toya is easily the most visited national park on Hokkaido, receiving an estimated 10 million visits in 2009, although this was a reduction of 44% on the peak in 1991.

Why has Shikotsu–Toya National Park's effectiveness as a place brand declined to the extent that it ranks so poorly in terms of abstract (i.e. WTP) and concrete targets (i.e. decline in annual visitation)? Part of the decline can be attributed to natural disasters; the national park is centred around two large lakes — Shikotsu and Toya — in a 110,000 year old caldera, and also contains many hot springs and extraordinary terrestrial movements due to the active volcano belt.[3] Mt. Usu is the

most prolific of these; a highly active stratovolcano estimated to be 10,000 to 20,000 year old, it has erupted nine times since 1663. In the immediate aftermath of the most recent eruptions in 1977 and 2000, the number of tourists declined rapidly due to continuing earthquakes, and negative press after landslides claimed two lives with a third person missing. Yet after a brief upturn, tough levels of security surrounding the 2008 G8 Summit, held at Lake Toya, prompted the numbers to decline again without any sign of an uptick.

To explain this decline in visitor numbers to Shikotsu-Toya, or at least understand why there has been a lack of a concerted counter strategy on the behalf of national park management to reverse the trend, it is necessary to examine the fragmented nature of park administration. The MoE is the legal park administrator, via two regional offices and five areas, including the areas around the lakes, Toya and Shikotsu, Mt. Yotei and Jozankei, and the popular hot spring resort of Noboribetsu. But the areas are scattered over a wide geographical area, making holistic management difficult. Meanwhile designated parkland also overlaps with the administrative territory of no less than six cities, seven towns and one village. Furthermore, 89% of the total park is national forest land owned by the Forestry Agency whose objectives have traditionally been quite distinct from those of the MoE, favouring logging over conservation or tourism. Underlining this issue, recent research in the Shikotsu-Jozankei area used GIS to overlay the national forest management plan with that of the national park; the results confirmed that half the park boundaries were shared with the national forest and 36% with municipal boundaries (Aikoh and Tomidokoro, 2010). This confirms that the national park plan was in effect zoned around a priori interests that are unrelated — and inconsistent — with park values.

In short, closer examination of Shikotsu-Toya supports the hypothesis that a range of administrative barriers, including those of the multi-objective, multi-tiered variety described above, are undermining the national park's ability to revitalize the area. Instead of functioning as an efficient place brand which reaches out to external markets (i.e. tourism) while offering a policy platform for internal decision-making (i.e. park stakeholders and residents), the national park conversely adds extra layers of bureaucracy to land management systems. Further anecdotal evidence of this comes in the form of Toya-Usu's recent movement to gain independent recognition as a Global Geopark which is discussed in the next section.

Toya's geopark as an eco-brand

In August 2009, Toya-Usu was among the first batch in Japan to be designated as a Global Geopark along with Itoigawa and Shimabarahanto. The geopark overlaps with the territory of seven municipalities, covering a contiguous area of 1,180 square kilometres. The antecedent of a designation movement came in aftermath of the 2000 eruption, when the four municipalities closest to Mt. Usu — Sobetsu Town, Toyako Town, Date City and Toyoura Town — grouped together in a show of solidarity to play an instrumental role in the reconstruction process. Within six months

of the eruption a formal proposal had been registered to turn the area into an 'eco-museum,' materializing by 2002 into a concept which would "pass down the history of coexistence with the volcano," including disaster management technology, and "promote regional development via resident participation, promote new coordination among neighbouring areas and foster local industries and tourism" (Tanabe, 2009). By channeling momentum stemming from a common desire to rebuild after the disaster, a series of symposiums and workshops were organized with local residents, and the joint Ecomuseum Promotion Council was subsequently established in November 2006. The overriding objective was defined as regional revitalization. The volcanic fallout had severely impact on the local economy, with the repair bill estimated to be in the region of 24 million yen (ibid).[4] But the ecomuseum vision sought something more substantial than simple renovation; it was an integrated attempt by local municipal governments to use the funding opportunities and harness the momentum for renovation to create a place brand, integrating the existing tourism resources around the extended lakeside area into a single open-air museum.

Although the need to revitalize the region after the volcanic devastation of 2000 was apparent, why did the local municipalities feel the need to 'go the extra mile' and apply for an additional eco-label in an area that already had an ecomuseum within a national park? Certainly there was an element of fortuitous timing, given that UNESCO had established the Global Geopark Networks in 2004. But although these process coincidences no doubt acted as additional stimuli, the initial ecomuseum concept had also laid a platform of core objectives which chimed with those of the International Network of Geoparks (INoG). In order to be designated, areas need to fulfil the criteria outlined in Table 1 below.

Table 1   Geopark qualification criteria under INoG manifest (established 1998)

1	have a management plan designed to foster sustainable socio-economic development.
2	demonstrate methods for conserving and enhancing geological heritage and provide means for teaching geo-scientific disciplines and broader environmental issues.
3	have joint proposals submitted by public authorities, local communities and private interests acting together, which demonstrate the best practices with respect to Earth heritage conservation and its integration into sustainable development strategies.

In this sense, the ecomuseum initiative was in tandem with the ultimate goals of the geopark label; to offer a competitive advantage for marketing aligned around the three core objectives of sustainable development; conservation; and collaboration. By fulfilling these roles, the additional advantages of the later geopark designation for areas that already fall under the umbrella of national parks administration can be summarized as follows; i) the geopark brand allows a more active role in promotion of regional resources with administrative objectives more firmly targeted at sustainable development; ii) interpretation via guided tours offer a more proactive way of encouraging visitors to interact with the resources, thereby promoting

overnight stays and repeat visits; and iii) improved collaboration, with a broader range of stakeholders more actively involved with administration. These three factors will now be analyzed in the geopark framework within which they are embedded.

i) **Sustainable development** is a vital part of the geopark. Tourism is the single greatest source of jobs in the Toya-Usu area, where 68.5% of the working population are employed in service industries. In 2009, there were an estimated 6.8 million tourists, but this number is in decline due to the prolonged downturn in the domestic tourism market, and a shift in market trends away from coachloads of overnight visitors to individual car tourists. The risks and rewards of tourism are symbolized by Mount Usu, which is flanked by Showa-Shinzan, a young lava dome created after yet another eruption in 1944. The presence of this highly active volcano poses a threat to the local tourism industry, underlined by the frequent eruptions and by volcanic ash which could impact travel arrangements as in the case of Iceland in 2008. Yet conversely the thrill of visiting a 'live volcano' is an important attraction in the geotourism portfolio, as demonstrated by the large numbers of visitors to Usu, where a ropeway runs up to a viewing platform from where a hiking trail offers easy access to the crater rim. The challenge of nurturing tourism in such a volatile setting ensures that sustainable development is the core aim, occupying a far more unequivocal role than its ambiguous status within the national park.

ii) **Proactive conservation** The aim of the geopark is to capture a larger share of the economic impact from tourism and funnel it back towards conservation. At the same time, the geopark hopes to offer a more proactive way of encouraging visitors to interact with the resources, including guided programs on geological topics, such as volcanoes and disaster management skills, and natural history, such as the history of Jomon civilizations and indigenous Ainu people. This guided tour system is an important component of geoparks' attempt to interpret the resources for visitors in a way which promotes overnight stays and repeat visits. The geopark agenda thus sees conservation as an important objective within the sustainable development framework, funded by guide employment and 'geobrand' marketing opportunities that provide a platform for merchandising through holistic use of a logo and graphic design.

iii) **Collaboration** The Board members of the Toya Caldera and Usu Volcano Global Geopark Council (hereafter 'the Council') are responsible for deciding the composition of management structure, so they have ultimate responsibility for park administration. The extra autonomy allows the Council to include a broader range of stakeholders in the management structure; as well as the Advisory, Scientific, Information and Education Committees, there are designated Committees for Tourism and Citizens associations. This situation is quite distinct from national parks, where the official administration is legally undertaken by the MoE from Tokyo.

Discussion Global Geoparks comprise a voluntary brand which has no legislative or governmental authority and is not directly funded by UNESCO. Instead, the ultimate goal of geoparks is to create a quality brand that offers a competitive advantage for marketing aligned around the three core objectives of sustainable development; conservation; and collaboration. However, certain weaknesses the geopark model have also emerged from the Toya-Usu case study, which will now be addressed.

Firstly, although the rhetoric consistently prioritizes sustainable development, geopark status does not confer any specific restrictions on economic activity; it relies on the key heritage sites within a park being protected under the appropriate local, regional or national legislation. There is therefore a risk that geoparks will inadvertently serve to legitimize development, undermining existing conservation protocol, or well-defined limits of change that currently exist in national parks. After all, the geopark offers no panacea to the management disputes which have long plagued national parks whereby certain stakeholders (e.g. tourism partners) are more eager to exploit the commercial branding opportunities, while others (e.g. conservationists or academics) seek to uphold high standards of certification through access restriction or ongoing monitoring.

This leads on to the second core value — proactive conservation — which is a worthy aim in principle, yet hard to achieve in reality. Although Hokkaido may be a domestic leader in sustainable tourism, it is also an archetypal rural periphery facing decreased economic turnover due to declining numbers of tourists. Without a solid economic base to build on, the vision of proactive conservation through interpretation will remain elusive. This is reflected by the situation on the ground at Toya-Usu, where a guided tour system is in place, but not yet available at all geosites, or widely used. Meanwhile the majority of visitors continue to ride the cable car to the viewing platform before returning home without receiving any kind of environmental education, unaware of the fact that they have visited either a

Figure 3 Road signs and outdoor attractions with Toya-Usu geopark logo

national or geopark.

Finally, the third point is collaboration. This again leads back to the place marketing process, which requires solutions that motivate and co-ordinate the various stakeholders for the regional interests. A broader range of stakeholders has been included in the geopark management structure, including a role for Tourism and Citizens Committees. Yet closer examination revealed that most of the tourism stakeholders are from the (local government-affiliated) Convention Centre, or other foundations with close ties to government. Thus although collaborative management may increase accountability vis-à-vis development of environmentally sensitive areas, and allow some input from local residents, there is scant evidence of the entrepreneurial spirit which lies at the heart of a truly sustainable grass-roots tourism industry. In fact, few of the familiar failings of tourism — such as lack of year-round employment — will be directly resolved by branding alone. However, cross-cutting collaborative efforts have achieved some remarkable results to reach out to visitors in a more proactive way; for example, one physical extension of the geopark philosophy is destination branding using a designated logo in this regard, Toya-Usu has made ground-breaking progress with road signs and outdoor attractions (Fig. 3).

Conclusion

The results of this paper suggest that through the harnessing of collaborative momentum, geoparks can provide a powerful place brand for local governments and other stakeholders to rally around. However, although a broader range of stakeholders has been included in management structure, branding remains a two-way process between brand identity and brand image so harnessing the desired brand identity using internal stakeholders is a vital and necessary step to achieving long-term success. In this respect, the disaster management ethos and extraordinary momentum linked to the recovery movement from the volcanic eruption marks Toya-Usu out to be something of an exceptional case.

Nonetheless, the creation of a distinctive and unique destination image in the tourism industry could play a vital role in positioning the destination in the consumer's mind and holds the key to differentiation. Yet the effectiveness of the Toya-Usu Geopark remains largely untested, given that visitor numbers are still declining and market research is yet to show conclusive evidence of the added value of the geopark brand. Moreover, despite the clarity of a management agenda which firmly prioritizes sustainable development, geopark administration remains fragmented and lacking in land ownership or the ongoing monitoring apparatus necessary to certify for conservation and visitor management effectiveness. Instead, the main intangible benefits of the brand are opportunities to create networks of tour operators and local entrepreneurs, and gain funding from corporate partners and state funds. Ultimately, the geopark concept provides a platform to capitalize on missed opportunities for merchandising and income in cases where existing systems, including national parks, are not maximizing brand benefits (e.g. from logo copyright) or

channelling tourism revenues towards sustainable tourism and long-term conservation. Yet the risk of geopark designation is that it inevitably entails considerable overlap with existing eco-brands such as national parks; this topic will be examined in more detail in future research.

Notes

1   "Some [municipalities] even went bankrupt, like Yubari in Hokkaido, or are on the verge of bankruptcy like the city of Aki in Oita prefecture" (Hasanuma, 2008).
2   N. B. the quote originally said nations not places (Arnholt, 2008).
3   Active volcanoes are defined by the Japan Metereological Agency (JMA) as those that have erupted in the past 10,000 years or currently show fumarolic activity.
4   Equivalent to around US$300 million at current exchange rates.

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A Black Day for Urayasu

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On March 11, 2011 a level 9 earthquake, along with a huge tsunami or tidal wave, devastated the coast of the Tohoku region. It left thirty thousand people either dead or missing and thousands of homes were destroyed. Those made homeless by the disaster are living in uncomfortable conditions in emergency centres, usually school gymnasiums, or are moving into temporary pre-fab homes constructed under the government's re-housing plans. The Prime Minister has promised that everyone will be housed before "obon," the summer holiday season.

As if this wasn't enough the tidal wave overcame the protective wall at the Fukushima nuclear power plant and caused fundamental damage to the facility. This led to the leakage of radiation into the sea, the land and the air. It has meant that everyone within a 40-kilometer radius of the area has had to be evacuated. Many of these people will never be able to return to their homes because radioactive pollution will remain in the area for many years. Although not as bad as Chernobyl, it is the worst nuclear accident for twenty years and the scars will remain for a long time to come. Radiation pollution has affected produce on the land and in the sea.

In Tokyo, the largest population centre in Japan, the radiation levels in water and the air are about two-and-half times above normal. The government says that these levels are not dangerous for healthy adults but the long-term effects are difficult to quantify. The Fukushima plant is in meltdown and the experts are struggling to stop any further radiation leaks and plan to bring the plant into safe shutdown. They say this will take six months to a year. Many Japanese are disappointed and skeptical as are many foreigners who live in Japan. In my case the disaster had a direct effect on my life and those around me.

Urayasu, a city that I have lived in with my family since 1999, was also badly affected by the quake but this cannot be compared to the horrific devastation hurled upon Tohoku. However, it did cause a lot of damage both physical and psychological to the area and the people living there. It was the worst affected city in the Kanto plain. Although I was away in Kiyosato at the time, teaching on the Meiji University Spring Intensive English residential course, my family who eventually joined me there were able to describe the scene as the quake struck. Our daughter was at my house, upstairs on the balcony with her 2-year-old son. When she felt the tremors she picked up the child and headed for the street. When they got outside she saw the road moving wildly from side to side like a snake. This terrifying

experience continued for several minutes, much longer than most tremors.

Then, my son and son-in-law were attempting to get to my house from my son-in-law's house. Normally this would take less than five minutes by bicycle but they were stopped by the jolting of the quake. They were near the two high blocks of flats recently built next to Shin-Urayasu station, called Air Towers. The noise from these buildings of juddering and creaking caught their attention. They looked up and saw the two tall buildings swaying wildly and almost touching at the top. At any moment they thought the towers would come crumbling down but they had been built to withstand this level of shock and although they swayed frighteningly they did not come down. Unlike the houses that had shallow foundations, the tower blocks, along with other "mansion" blocks and the local Meikai University had deep foundations of between 70–90 meters. These deep foundations allowed them to right themselves with little or no damage to the buildings.

Not so with the individual houses and the small apartment houses. Nearly every house in the area of Irifune, 4 chome, where I live was affected by the liquefaction of the land and the subsequent subsidence. My house now lurches to the back and to the left as you look at it from the street. From the outside it doesn't look much different but when you go in you get the distinct strange feeling of the tilt as you walk in. Upstairs and towards the back of the house the effect is magnified. At first we thought we might get used to it but although we have lived in the house for six weeks we still feel disoriented. As I work on this essay in my little study I have the eery feeling that my chair, which is on casters, wants to roll back towards the door to the room. I consciously lean forward and press my elbow onto the desk to keep myself in place.

It is raining hard now and has been all day. Puddles several inches deep have formed along the back of the house and at the left-hand corner. These puddles are now connecting up to form a trench of muddy water and the level is rising. We did not realize at first the problems that the subsidence would cause. The land itself is now descending to the rear so that naturally water will collect there. In addition since the house itself is lower by more than 10 centimeters from front to back the gutters have become angled backwards. So, instead of the rainwater draining down the pipes both at the front and back as intended the water is now rushing headlong to the back of the gutters and spilling over onto the ground, further contributing to the fast-filling trench. The pipes in the ground for taking away the sewage and rainwater seem to be intact but I am wondering if their angle of slope was affected by the quake so that water cannot drain naturally into the main rainwater gutters in the road.

When liquefaction occurs it throws up huge amounts of grey thick mud. Although with the help of my son and wife we managed to get rid of most of this evil smelling sludge from the garden and sides of the house, the back and rear corners still have a layer of this stuff. It is well nigh impossible to get rid of. This mud is not like earth. It does not allow water to naturally soak through it. The water collects and sits on it. This torrential and persistent rain that we are experiencing now is the result of Typhoon Number 2 and the rain will continue for another 24 hours. I just

hope the water does not rise to the level at which it will start leeching into the house. Today I opened all the rainwater and sewage manholes in an attempt to drain away the water but it does not appear to have had much effect. We placed a plastic bucket on the fan housing of the air conditioning unit at the left-hand rear corner of the house to catch the plummeting drips of water cascading from the rainwater gutter at the back of the house. The bucket fills to brimming within an hour. We empty the contents down the now gaping rainwater manhole but the chore is endless.

On March 14th My wife picked up the refugee group consisting of my son, daughter, grandson and son-in-law. They had all gone to my son-in-law's place after the earthquake struck. There was an announcement on the public address system from the city hall urging people to go to their local emergency centre. In their case it was the local primary or elementary school. Once there, they found there were no blankets and no water. My son-in-law went back to his house and picked up these necessaries and returned to the centre. After some hours they were told that if their house was habitable they should return there, which they did. Their house was not damaged but they had no electricity or water. There were after shocks throughout the night.

The next morning they decided to attend a wedding in Yokohama that they had been invited to weeks before. The journey was very difficult and trying because the trains were moving slowly and there were cancellations and delays. Eventually they arrived at the hotel and because some guests had understandably cancelled out there was room for my son in the hotel and at the wedding. The Australian groom and his Japanese bride headed for Australia after the wedding. The debate began among the little family group as to what to do. They decided that since there was water and power at the hotel they would stay another night. However, during the night there were some strong aftershocks and my son-in-law decided that they should join my wife and me in Kiyosato. Then began the tedious and stressful journey from Yokhama to Tokyo and then to the bus station to board a bus for a place near to Kiyosato. Through constant contact by their mobile phones my wife was able to get to their bus stop about twenty minute's drive from Kiyosato and meet them. Late in the evening the bedraggled group arrived at the safety and comfort of the Meiji University Seminar House.

Thus began what was to be a month of living as refugees. My wife often remarked on how lucky we were to have a car and she was right. With my wife most often at the wheel we traveled around staying here and there before returning to Urayasu. However, before our gypsy sojourn began we were very fortunate in being able to stay en famille in the rest house for a further week. This allowed us to find out what was happening in Urayasu and to rest in the comfortable surroundings of the seminar house. We enjoy well-prepared food, clean and comfortable surroundings and private rooms with warm beds at inexpensive rates. We owe the Kiyosato people a big vote of thanks.

My wife began to worry about the house and a neighbour had been able to contact us to say that a water pipe had broken and water was spewing from the back of our house. So, my intrepid wife and son decided to make the trip back to afflicted

Urayasu. I was very worried whether they could make it there and back safely but my wife was adamant. She arranged for a plumber to rendezvous with her at the house and fix the pipe. This was duly done and the water shut off at the mains. They came back with reports of Urayasu looking like a war zone with crippled buildings, cracked roads and swirling dust.

Later, it was decided to make one more foray because my son-in-law needed to retrieve his passport. This necessity came about when it was decided that we should send my son-in-law back to America with wife and child. The main fear was the increasing danger of radiation poisoning that would have a particularly bad effect on a young child and upon his mother who suffers from goiter if they stayed in Japan. Their absence would also make it much easier for the remaining three of us to travel around after leaving the security of the seminar house. So, back to Urayasu they went and duly returned within the day without incident. Meanwhile daughter reserved the flight and we then took them crammed into our modest car to Nagoya from whence they took a train to Kansai airport and then a flight to Narita for a connecting flight to the US. We heaved a sigh of relief when we knew they were safely ensconced in the home of son-in-law's parents.

When the earthquake occurred my wife was staying with her mother in her hometown near Toyama. After dropping off the threesome we stayed in Nagoya for a night and made a plan. We decided to head back to Toyama where my wife would stay with her mother while son and I would stay with her sister nearby. After a week of a very pleasant stay during which we got to know the little town as well as we could wish we set out for Suzu on the Notto peninsula which is home to my wife's other sister. We stayed in luxury but at a modest refugee rate at the Suzu Beach Hotel. The beach is long and wide and sandy. The walks with the dog along the beach were uplifting to my soul and watching the dog run with effortless speed along the beach made my heart leap with pleasure. Halcyon days. After enjoying the hotel and the hospitality of my sister-in-law's table several times we decided that we could not put off returning to Urayasu any longer.

The hotel bills were mounting and we could not be refugees endlessly, despite the comfort of our situation compared to many more unlucky refugees. On our return to Urayasu we found the town was dark and dirty and the roads we rode on were bumpy and pitted. It was necessary to drive with the utmost care to avoid jolting the occupants or scraping the underside of the car. As gritty dust swirled around, the people walking the streets looked like ghosts appearing out of the mist. We met our neighbours at the gate. The couple arrived on their bicycles muffled in jackets and with caps firmly rammed on their heads and their faces were covered each with a mask. When the husband said "gambarimasho" I nodded and smiled although in my heart I couldn't imagine being able to overcome my depression at the sight of this once prosperous and shining town now brought to what seemed much like ruin.

There was a sort of lifeline in that electricity had been restored as had gas and water but there was no sewage. This meant that we could not use the toilet or even make use of the running water because there was no egress for used water. We were

to use temporary toilets erected in the park and the water fountain for washing. Luckily my wife heard that the local hotel, only five minute's away on foot was offering a special rate to local refugees. When we found out it was only 8,500 yen per night for all three of us we decided to take it. They gave us a superior room at the corner of the third floor of the hotel. It was luxurious and, of course, they had running water, fully functioning toilets and a bathroom to die for. The room was spacious and the height of comfort. The beds were a dream. So, we spent a week there until we heard that sewage services had been connected and we could return to our home. I must admit that it was with mixed feelings that I left that hotel. In the following days when walking the dog or on my way to teach at Meikai University I would look up at the third floor and remember that room.

In fact the hotel had been taken over by the gas company just before we moved in. It had been occupied by hundreds of gas workers drawn from all over the country to ensure that the gas supply in Urayasu was safe. Many houses had make shift gas pipes of yellow plastic leading from their houses to the gas main in the road with sand bags in place to secure the pipes. These jolly looking additions to the houses announced that the houses concerned had broken gas pipes that eventually would have to be dug up and replaced. We checked the house each day and waited for the lifeline to be fully restored. You cannot really do more than camp out in a house where you cannot flush the toilet, wash your hands, have a bath or use the washing machine. On our last scheduled day at the hotel we went to the house and were told by a passing neighbour that sewage services had been resumed. This was a relief in more than one sense; going to the temporary toilets set up in the park and washing your hands in the drinking fountain were not pleasant activities.

The stress was beginning to tell concerning the tilting of the houses. The vast majority of the houses were affected. I was told only three were exempt and so I started to look for these exceptional buildings but have not yet located them. Neighbours started to talk to each other more frankly and openly than I had ever noticed before. When people from the local city office came to take measurements there would invariably be a neighbor or two in the street showing an interest in the proceedings and then waiting anxiously for a blow-by-blow account of the visit after the officials had left. There were requests for re-appraisals of original local officials' judgments of the damage to houses to ensure that the damage ranking be increased to help with insurance or tax claims. Our next door neighbors approached us to work together to engage a contractor to right both our houses together in order to reduce costs. The "danger" sign on our other neighbor's leaning and clearly crumbling front wall disappeared, despite being put there by the local authority.

Still the work of patching up the roads went on. The main road in Shin-Urayasu is called "Symbol Road" and is a continuation of the main road out of Urayasu proper. It passes by Shin-Urayasu station and continues on until it hits the sea. When I moved to Shin-Ura, as it is locally known, I was impressed by this six-lane road with its islands of lush green in the middle and along its sides. As it passes Meikai University that has its own verdant campus and with greenery on the wide pavements on the opposite side the feeling one gets is one of driving in the

countryside with thick vegetation all around. There are no power or telecommunication lines; it is clean, wide and open. Clearly, the priority of the local government was to restore the vital utilities of the town to its residents. However there are still engineering works of a large enough scale to require coning off two lanes of the Symbol Road at one junction and other roads around the area are experiencing similar disruption which leads one to suspect that not all is right with the world yet.

The wide pavements on either side of Symbol Road show signs of the earthquake with paving stones jutting out at crazy angles and alarming bumps in the pathway creating obstacles for the unwary cyclist or pedestrian. Some of these impediments have been treated with a layer of bitumen covering that smooths the way but does not do much for the aesthetics. In many cases it is clear that the work is temporary and simply patches up the problem until some better and more permanent solution can be found but one cannot but feel that there are just too many such problems for the local government to get round to any time soon. Thus one is led to the ineluctable conclusion that these scars of 3/11 will be visible for years to come. One bright spot is the beautification effort at Meikai University. In time for the Open Campus only a week ago, all the pathways, walkways and entranceways to the campus were completely re-slabbed. It is a most remarkable achievement and the university looks now as if it had been completely untouched since the day it was built. The buildings themselves are sound because they have foundations of between 70 meters and 90 meters in depth. They reach down to the bedrock and provide a solid basis for the buildings that rest so reassuringly on them. No wonder that the campus is one of the areas for people to gather in case of disaster. Although another earthquake of the magnitude of the last may prove more than the residents can take, never mind their homes.

In April prefectural elections were held. Despite protests from the mayor of Urayasu that there were far more important things to do than hold elections, they went ahead. As usual in these affairs the candidates were unknown to most people I talked to in our area. Three rather similar looking men in dark suits were pictured on the posters erected in the local park. Election vans toured our vicinity, albeit more muted than usual on such occasions. The names of the candidates were repeated over the loudspeaker systems on board and white-gloved hands waved delicately from the vehicles windows. A newly coined catchphrase sprang from the lips of the canvassers "Urayasu dai suki!" (We love Urayasu!). I wondered what on earth they meant by it. Did it mean that they would help us re-build our homes or devote money to repairing the infrastructure of the town? I rather doubted it. After all, these were prefectural representatives and in the end priority would be given to plans hatched in Chiba city, some 20 kilometers down the road.

The fans of Tokyo Disneyland, which is located one stop away on the train line from Shin-Urayasu, were more interested when that would open. It seems little damage had been done to the buildings in the amusement park itself because of their deep foundations. However, the huge parking lots all around the leisure park were rutted, pocked and ploughed up by the roiling land underneath. When in May Disneyland opened construction work was still in progress and not all the attractions

were open. That did not deter thousands of Disney fans who had lined up for hours to get their yearly dose of Mickey Mouse and Donald Duck. The big features of the evening — the Electric Parade and the firework display — did not take place and the park closed early. Whether this was out of respect for those who suffered in the disaster or whether it was simply to save electricity I am not sure. The fact that it re-opened was important in itself. It symbolized that life was returning to normal after the worst disaster in Japan since the defeat in the Second World War. People were being allowed to enjoy themselves at the most famous leisure complex in Japan. They threw off the depression of watching endless news reports of the aftermath of the horrible event by hugging a person in a mouse costume that has a big plastic head with a big plastic smile on it at the biggest show in Japan. It also showed that the Japanese were getting back to work. They were getting the business of Japan into gear again. This meant people were getting back to work; to their jobs; to meaningful activity. It also meant that people were starting to spend money. Tokyo Disneyland and its related businesses are hugely important to the economy of the area. People depend on it. They were not disappointed. Disaster or no disaster the show must go on.

However, despite the good news there is a persistent reality that things are not yet back to normal. Urayasu city office is preparing to grant around a million yen each to home owners whose homes have been afflicted by the combination of earthquake tremors and liquefaction. These tilting homes, that consist of the majority in the Shin-Urayasu area, need to be put back to avoid further damage and the earth beneath them needs to be replaced. This is a huge job and the cost for each is in the millions. In some cases the costs could amount to over ten million yen. Each house has to be treated differently because of the way each house is tilting and the way it was originally constructed. Therefore, the combined offers by the local and central governments will not be sufficient to cover costs in most cases, even for those, like us, who have earthquake insurance. Once the insurance company and we agree on the figure of compensation, then we have to get on with the repairs as soon as possible otherwise if another earthquake strikes in the meantime then our insurance will not cover us. It is a frustrating and stressful situation to be in.

My wife attended a meeting last Sunday that was supposed to be an explanatory meeting concerning local taxation for the sufferers of the earthquake. In fact the so-called explanations were unclear and there was a great deal of dissatisfaction among the attendees. This was expressed by angry shouts and demands for more information. The plans to compensate the local population seem to fall well short of expectations, despite the fact that Urayasu City has large reservoirs of savings that could be devoted to the re-building. If the city administration does not heed the local people's call for clarity and speedy action then there may be repercussions that we cannot foresee. People want their city back the way it was and if they don't get it there may well be a drift out of the town. This is not a prospect that local politicians and administrators could view with equanimity.

Today is warm and a bit muggy. The talk is of the coming summer and what will befall us then. Along with the rest of the nation, with the possible exception of

Osaka, we will probably suffer rolling blackouts. To avoid this the government has asked individuals to cut demand by 15%. The universities have been asked to cut-back by 50%. Although the universities say they are doing this with regret, in fact the boards of trustees see a marvelous opportunity to cut costs while at the same time blaming government demands for the necessity. Or am I being too cynical?

On the other hand, it is true that universities in the Kanto region are seeing a lack of applicants from the Kansai region. I was told informally the other day that a local university has seen zero applicants from Kansai and it may mean that the university will not be able to achieve minimal student enrollments for the coming year. This will influence the business health of the institution and could well see some lay-offs among the teaching and administration staff. This will, in turn, affect the financial situation of the city itself. The effects of the disaster are still spreading and this area is a microcosm of what might be predicted if and when the "big one" (the great Kanto earthquake) occurs.

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14th June, 2011

The Great East Japan Earthquake and Risk Management

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1. ERM Places Luck on Your Side

A massive earthquake, measuring 9.0 on the Richter scale, shook the entire Tohoku and Kanto areas without warning. The resulting tsunami easily surmounted the "super seawalls" designed and constructed with the most advanced technologies. The dark, angry, demonic seawater quickly swallowed up people in the Tohoku and Kanto coastal areas as well as their peaceful lives, their fishing ports and factories, and everything else that stood in its way. The transfer of political power in 1867 marking the start of the Meiji Restoration; the end of the Pacific War in 1945; and, 2 : 46 pm on March 11, 2011. While the final judgment of history is still awaited, these no doubt will stand as watershed events in the transformation of values in modern Japan. The significance of these events will require more time to be fully appreciated.

The recent disaster forced its way into my life as a businessperson managing a company, as a scholar of business accounting, and as a father of two children. Immediately following the earthquake, my first responsibility was to confirm the safety of my employees. At my company, we had formulated an Enterprise Risk Management (ERM) plan. The ERM that I had designed was divided into three distinct steps (Step 1, Step 2, Step 3) to allow for a systematic and graduated response in case of crisis.

On the day of the earthquake, I was scheduled to entertain some guests in the evening and returned home (Shibuya City, Tokyo) early. Just as I was taking off my business suit to change clothes, I felt the earth and everything around me sway back and forth as I had never before experienced. I could tell from the shaking that the epicenter of the earthquake was not in Tokyo, and my mind quickly went to the possibilities of an earthquake in the Tokai region or off the coast of Miyagi Prefecture. Fortunately, electric power was not lost in central Tokyo, and I was soon able to learn what had happened from the emergency broadcasts on NHK television. But mobile phones basically stopped working immediately after the earthquake. Step 1 of our ERM was, "Confirm safety of employees." How was that going to be possible when all mobile phones were down? The wireless PHS that I had at home for mobile

terminals was working. Because all my employees (both administrative staff and sales personnel and other field staff) were equipped with mobile terminals, I had no trouble reaching everyone through e-mail using our wireless PHS system. A backup communication system that was primed to take the place of mobile phones in emergencies proved its worth. As a third line of communication, all ERM personnel had access to long-range transceivers. Thanks to these emergency backup systems, within three hours of the earthquake, I was able to confirm the safety of all employees and their families at the Tokyo Head Office (Tokyo), Kansai Branch (Osaka Prefecture), Development Center (Tottori Prefecture), our own plants and factories (Chiba Prefecture and the Philippines), overseas office (Hong Kong), and affiliated factory (Ishikawa Prefecture). Fortunately, I was able to confirm that there were no serious injuries or damage. On the other hand, several employees did not make it home that day and were forced to spend the night at such places as our Tokyo Head Office, the Tokyo Big Sight exhibition hall, and Haneda Airport. The field staff would not have been able to obtain accurate information without their PHS unless they had happened to have had a radio with them. But in the case of my company, we used the PHS system to send out a series of 50 e-mail messages to keep the field staff fully informed at all times. Consequently, we were able to avoid confusion by using e-mail to share accurate information and to send out timely orders and instructions. Thus, we had five separate lines of communication: land-based telephone lines, public payphones, mobile phones, PHS (e-mail), and transceivers. The investment that we had made in these systems paid off. The experience taught me that lines of communication are the most immediate and urgent need in an emergency situation. The basic ERM lesson is that a minimum of two lines of communication must be in place and available for use in an emergency.

At the end of Step 1, I knew that all staff members and their families were safe. Step 2 went into operation on the next day. The aim of Step 2 is "Confirm safety of business counterparties," which includes customers, suppliers and banks. Because the day after the earthquake was a Saturday, the process took a little extra time. But by Tuesday, all the information we needed had been received. Here again, in most cases, land-based telephone lines and mobile phones in the Tohoku area were out of service. But e-mail communication was working relatively smoothly. Unfortunately, we found out during Step 2 that a significant number of customers and suppliers had suffered damage to their factories and equipment. After confirming the safety of our business counterparties, we right away proceeded to Step 3, which is aimed at "Ensuring supplies of products." In the catastrophe of March 11, 2011, many suppliers of key parts and components suffered serious damages to their production facilities. Therefore, as time went by, the supply problem became increasingly difficult. But we acted very quickly to share information and the process of looking for substitute parts and products was well underway by the second weekend after the earthquake. Thanks to this speedy response, we did not experience a serious supply problem. But in a sense, my company was just lucky in that none of the suppliers of our main parts and components were located in the Tohoku area. ERM teaches us to make every possible preparation ahead of time. But this experience taught me

that luck is also a very important element in the final outcome. Luck cannot be analyzed scientifically. The important thing is to make the necessary investments for emergencies. Maybe the final outcome is relatively favorable when these investments have been properly made. The important thing is to bring luck to your own side by making all necessary preparations.

2.   What Did Corporate Executives Consider to Be Risk?

In the first section, I presented the experiences of my own company as a case study. In this section, I will take a macro perspective and consider the general response of the Japanese corporate sector and risk management in Japanese companies. The recent catastrophe destroyed many factories, primarily in the Tohoku area. Some went down in the earthquake, while others were swept away by the tsunami. In either case, the damage was far-reaching and absolute. For example, take the semiconductor industry. Damage to manufacturing facilities disrupted the supply of parts and components, which went on to have a serious detrimental impact on the production of cars and electronic products worldwide. This series of supply risks is a reality that must be accepted by all companies, including my own.

It is my impression that companies can be divided into two groups based on their approach to disclosure of information regarding their disaster response immediately after the earthquake. The first group was very forthcoming and timely in their disclosure about the state of damage and actively provided information on how they were addressing supply problems before they became serious. The second group appeared to be reluctant to disclose information. Both patterns of behavior can be traced back to differences in corporate culture and management philosophy. In other words, the difference comes from differences in the ideology and philosophy of top managers on the question of risk. In the case of the first group, probably the supply problem was understood to be the greatest corporate risk. In the latter group, top managers considered the loss of their corporate reputation to be the greatest risk facing them. Matters were complicated by the fact that the earthquake occurred less than three weeks before the end of the business year. Hence, there is even some suspicion that certain companies avoided disclosing bad and damaging information by stating that the "situation is currently being confirmed." Evaluation of this point will have to await the results of future research.

Throughout the postwar period, the Japanese economy and Japanese companies have prioritized efficiency and corporate interests. In this environment, top managers have repeatedly been shown to be opportunistic fence sitters with a marked proclivity toward putting a cap on any kind of unfavorable information. Perhaps the recent catastrophe proved that this type of manager cannot function well at all in a crisis situation. Tokyo Electric Power Company (TEPCO) may have been more focused on the possibility of resuming operation of its nuclear reactors than on preventing the leakage of radioactivity into the environment. In other words, is it possible that the flooding of the nuclear reactors with seawater was delayed due to economic concerns? Due to their overemphasis on profits, did the majority of

Japan's major corporations pay greater attention to the risk of diminished share-holder value than to the supply risk? Many Japanese companies did not start to officially disclose the details of the damage they had suffered until early April, or three weeks after the earthquake. One cannot help but be angered by the decision to ignore users and to postpone disclosure of the supply risk. Top managers who are unable to issue appropriate orders in an emergency and instead spend their time trying to manipulate information to their own advantage are literally worth nothing. Actually, there is much to lose and nothing to gain from the existence of such top managers. I think the many top executives of Japan's major corporations who were obsessed with manipulating their corporate information in the recent disaster should vacate their posts without delay. On the other hand, I get goose bumps when I remember the heroic efforts and the indomitable power of survival exhibited by small and medium-sized enterprises (SMEs). SMEs certainly outperformed the major corporations in the speed with which they reopened for production. But more importantly, in terms of morale and energy in both management and on the frontlines of their businesses, SMEs seem to have outdone the major corporations. The all-hands-on-deck approach of SMEs and their no-rest and no-sleep commitment to finishing the task on hand points less to a quantitative difference of scale than to a qualitative difference in the character of the company. The collapse of the Japanese model of unipolar concentration heralds a new age of the rise of inspired and powerful SMEs.

3.　Radioactive Risk Resulting from a Human-Made Disaster

The Great East Japan Earthquake was a complex phenomenon combining the natural disaster of the earthquake with an unprecedented calamity created by human beings. The meltdown and hydrogen explosions at the Fukushima Daiichi Nuclear Power Station have put the darkest and largest blot on Japan in its long history. Giant tsunami incapacitated the backup power supply and the cooling system quickly failed. A 30-kilometer radius was contaminated by high levels of radioactivity, but distant areas such as Tokyo and Kanagawa were also affected and their soil, rivers, and sea now bear the mark of high-level radioactive contamination. TEPCO continues to claim that the catastrophe was caused by the natural disaster of the tsunami. However, the plant had already been knocked out by the first blow delivered by the earthquake. Any objective observer can plainly see that the proliferation of radioactivity is the price that was paid for neglecting to install appropriate risk hedges.

Notwithstanding the fact that nuclear power plants potentially have an enormous impact on the lives of the people, this is what TEPCO did and did not do. (1) Experts had pointed out that the Fukushima Daiichi Nuclear Power Station was vulnerable to strong earthquakes and that the projected height of the tsunami it was equipped to withstand was problematic. TEPCO did not take any countermeasures. (2) To cut operating costs, many of the operators at the plant were contract workers. (3) The superannuated plant had originally been scheduled to be closed down in

February 2011. But in pursuit of higher profits, existed laws were amended to allow the plant to operate for an additional ten years. Even a cursory review of these three facts reveals that TEPCO, the national government, and the Fukushima Prefectural government were in violation of their duty of diligence and care to the people for proper risk management, and that the three parties cannot avoid liability for gross negligence. In other words, this was a human-made disaster that resulted from the arrogance of top management at TEPCO, the national government, and the Fukushima Prefectural government. The term human-made disaster applies to this case because appropriate risk hedges were not put into place in advance due to arrogance.

Radioactivity poses the gravest danger to children and expectant mothers. As I have said, I am a father of two children. At the time of the earthquake, my older son, who was in the first year of elementary school, was riding home on a train. Fortunately, my younger two-year-old son was at home. My older son who commutes 40 minutes to school felt a very strong jolt and was left stranded on the train when it came to an emergency stop. Although he had to wait three hours, he made no fuss and spent the time reading a book. Because the trains stopped operating, to get home, he had to take a bus and then walk a considerable distance. It was past 7 p.m. when he finally arrived home. I want to praise my son for his calm and correct judgment in the midst of this massive natural disaster.

But as a parent, I had to make my own judgment when faced with the human-made disaster of the explosions at the nuclear power plant and the proliferation of radioactive contamination. The views expressed by the government, TEPCO, and the scientists beholden to the government and pro-nuclear establishment had very little value other than to serve as a reference point. Moreover, the response of Japanese-style organizations that are firmly committed to obfuscation and concealment could not be trusted. All decisions about risk hedges for the children had to be made by parents. People in authority were saying: "The radioactivity that leaked out is safer than having some X-rays taken." "Water, milk, and vegetables within the provisional radioactivity standard are safe to consume." The government was saying that damage from rumors and misinformation had to be avoided. But these were all real and tangible dangers that had nothing to do rumors and misinformation. According to law, the maximum allowable annual dosage of radioactivity is set at 1 millisievert. It is my feeling that the provisional standards have generated enormous risks for the future.

When the Unit 3 reactor at the Fukushima Daiichi Nuclear Power Station exploded on March 15, I immediately sent my children, my wife, and my mother-in-law who lives with us to the family home in Kyushu. I remained alone in Tokyo and continued my work. Radioactivity is an invisible enemy. To fight it effectively, you need to have accurate knowledge and information. Given the 40-day half-life of cesium, I sent my family away with that timeframe in mind. I decided not to give ear to the advice of the government and scholars who seemed to be working backward from a pre-established conclusion. Looking back now, I believe that I made the right judgment. Responsibility for protecting the company employees falls on the CEO,

and responsibility for protecting the children falls on the parents. In other words, a decision has to be made by those who are at the top of the organization.

4. Can Academic Freedom Be Protected?

The recent disaster took an incredible economic toll. But another effect of the disaster is that it awakened us to the limits of scholars, researchers, and academic associations. Immediately after the Great East Japan Earthquake, swarm earthquakes began to be observed in Akita, Nagano, Niigata, Ibaraki, Chiba, and Shizuoka Prefectures. In the beginning, the Meteorological Agency and many seismologists were saying the same thing over and over again. "There is no relation between the inter-plate earthquake and the fault earthquakes that we are experiencing." But the swarm earthquakes that came after March 11 were just too powerful and just too numerous to ignore. So, the Meteorological Agency and the seismologists began to alter the nuance of their statements to, "The possibility that the two are related cannot be completely discounted." Finally, they came around to the position that, "The recent massive earthquake is believed to have induced the swarm earthquakes." Sometime later, the Meteorological Agency issued a notice to researchers and scholars concerning the release of information on a number of matters, including the direction of wind with regard to the proliferation of radioactive contamination. The notice warned, "Indiscreet statements of personal opinion should not be made." This marked the moment when academic freedom was violated. People in areas with no information on direction of wind continued to be exposed to radioactivity without being told what was happening to them.

The pattern was repeated with researchers in the field of nuclear engineering who were claiming that, "A core meltdown will never happen," "Highly radioactive material will never leak out from the reactors," and "This will never become a crisis like Three Mile Island or Chernobyl." But immediately after that, the Fukushima Daiichi Nuclear Power Station did experience core meltdown, and highly radioactive materials were released into the environment. A little later, the accident level at Fukushima was reassessed and was placed above the level of the Three Mile Island accident.

Shouldn't researchers and academic associations be blamed for this on account of their negligence or carelessness? In particular, it can be inferred that academic associations have declined to the point where they function merely as a formalistic and exclusive venue for exchange among scientists and researchers beholden to the establishment. As a researcher, albeit in a totally different field of study, I understand the current status of Japan's research and academic associations. Much of Japan's research and academic associations lean strongly toward what constitutes conventional wisdom in the given field of study. As a result, there is a marked tendency to block out new ideas and theories. This is probably why Japanese scholars with new ideas often find no choice but to go overseas to pursue their line of thought. And this is the principal reason why many of Japan's Nobel Prize winners and other outstanding researchers are living and working abroad. Researchers must

take immediate action to liberate themselves from research that is obsessively focused on surveys of prior research, and academic associations must rid themselves of the stultifying atmosphere of exclusion. Research as well as academic associations must be firmly oriented toward the goal of creating new knowledge and contributing positively to society. The risk of the loss of academic freedom stands before us today as a clear and present danger.

5. The Process of Changing Values

It is my belief that the events of 3/11 will mark a major turning point in many of our social and personal values, and it is my prediction that the following will be directly impacted by these changes: party politics, unipolar concentration of power and activities in Tokyo, nuclear power policies, food safety, water safety, profit-driven top management, the just-in-time model of manufacturing, subcontracting and outsourcing systems, research and academic associations. All of these will be forced to undergo radical revision or ultimate termination. In the aftermath of the collapse of many myths, a new set of values will be generated. The speed of this process will be dramatically accelerated once recovery and reconstruction efforts have gained a certain momentum in about three years from now. I predict that the newly emerging values will feature the following changes: the emergence of regionally based political parties and political decentralization, biomass energy policies, increased importation of food and drinking water, stability-oriented top management focused on business continuity, maintaining appropriate inventory levels (the end of just-in-time manufacturing), horizontal integration of companies (reduction of subcontracting and outsourcing), and research and academic associations pursuing new theories and freedom. Economic exchanges between Asian economies and Western Japan and regions on the Japan Sea will become very active, and the center of gravity of the Japanese economy will shift toward the Japan Sea coast. Risk management will play an extremely important role in the process of adapting to these dramatic changes in political, economic, social, and personal values. Today, Japan is calling out for a new leadership capable of calmly making decisions based on accurate information and knowledge and implementing these decisions through courageous and determined action. Risk management stands at the source of such leadership.

The natural disasters of March 11 claimed many lives in the blink of an eye and destroyed many peaceful communities. Words of sympathy cannot properly express the sorrow that floods our hearts. As for the human-made disaster of the nuclear accident and radioactive contamination, this has polluted the mountains, rivers, seas, and all created things that were handed down to us from generations past. In other words, we have veritably defiled the gods of Japan and their ancient handiwork. The legacy of this human-made disaster is the fear and anxiety that will relentlessly stalk our children for many years to come. This is guilt on an immense scale. Looking back to this day, future generations will identify us as victims of a natural disaster and as the most heinous offenders in a human-made disaster. With an abiding

sense of atonement, we must do everything in our power to create a better Japan for future generations. The lessons of risk management learned from both the natural and human-made disasters of 2011 will have extremely important ramifications in restoring the Japanese economy to its former vitality and regaining the original beauty of our homeland. In closing, I would like to say that it is absolutely essential to subject the experiences of the recent disasters to thorough scientific and scholarly research.

International Ecotourism Symposium Report

Ecotourism and Community Development:
Lessons from Japan and Overseas

Clouds rising over Yarigatake, Japan Alps.
(Photo courtesy of Bob Heffell, Quest Japan Ltd.)

Proceedings

Date	2nd October 2011 (Sunday)
Venue	Meiji University Surugadai Campus Liberty Tower Room 1063
Time	13 : 00～17 : 00
Language	Simultaneous translation: Japanese ⇔ English

Program

| Time	Content	Speaker
13 : 00	Opening speeches & introductions	Kanemura
13 : 10	Presentation 1 (Keynote): Sustainable Rural Tourism, Ecotourism and Community Development	Beeton
14 : 10	Presentation 2: Ecotourism in Japan	Kaizu
14 : 40	Presentation 3: Inbound Ecotourism	Jones
15 : 10	Break	
15 : 30	Presentation 4: Recovering from the 3.11 disaster	Yamamoto
16 : 00	Q & A	All
16 : 30	Panel discussion	
17 : 00	Finish	

Dedication

Introduction

2012 marks 10 years since the UN's 'Ecotourism Year' was held to raise aware-
ness and improve participation in ecotourism. The last decade has also witnessed a
growing recognition in Japan that tourism must be actively promoted in order to
counteract the decline of rural regions as part of the shift from primary industries to
a service-based economy. But how has the Japanese market responded to the twin
challenges of ecotourism and community development? This symposium was a
chance to take stock of the current situation, and identify potential growth in do-
mestic and international markets.
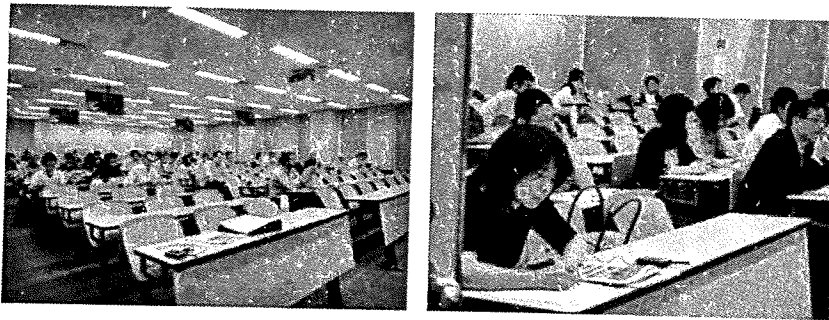
Overview

An introductory speech by Meiji's Takefumi Kanemura reminded us of one of
the goals of the current government, to change rural policy "from concrete to peo-
ple," stressing that better governance can help ecotourism revitalise rural regions.
The key note speech was delivered by Sue Beeton, a world-renowned expert in com-
munity development through tourism. Her presentation looked at means of tourism
certification and marketing, as well as planning tourism for a community. The three
panellists brought a wealth of experience from academia as well as from the
ecotourism field; Yurie Kaizu explained the current state and ways of promoting
domestic ecotourism in Japan; Tom Jones discussed the current state and issues
surrounding inbound ecotourism in Japan; Kiyotatsu Yamamoto summarized ways
of revitalizing the Tohoku region after the 3/11 disaster and encouraging
ecotourism, including the possibility of creating a new 'Sanriku National Park'.
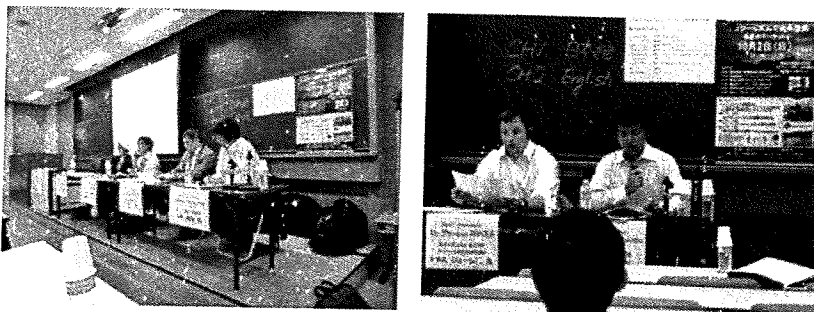
Key note speech

Presentation 1:

Sustainable Rural Tourism, Ecotourism and Community Development

Dr. Sue Beeton (La Trobe University)

Sue started out as a tourism practitioner, guiding horseback tours in the Australian High Country largely in response to the 'Man from Snowy River' movies! From Adventure Horseriding she became involved with Ecotourism because of the need to develop a group that could negotiate with National Park management and government to use the land.

1.1   Rural change and restructure

Dr. Beeton's talk began by looking at rural change, addressing the universal loss of traditional activities (e.g. large-scale agriculture) and closing-down of services (e.g. local banks, shops, hospitals and post offices) which have befallen the country-side in Australia, Europe and Japan. Some of the impacts wrought by such changes on the surrounding landscape were explained (e.g. small, family-run farms converted to huge fields with fences/ hedges removed to allow easier access for machinery). A related issue is the pressure of urban development; young people move to cities for secondary or tertiary education, meanwhile older people are left in rural areas, resulting in lower productivity and greater need for medical services.

Next, the talk turned to the urban fringes, where rural real estate is becoming attractive for (ex-)urbanites, entrepreneurs from outside the community who are attracted by imagery of a rural idyll. But this can alter community values, leading to 'gentrification' or even potential conflict with surviving pockets of agriculture in the commuter belt. Non-residential properties (e.g. the village church) are sometimes becoming available for new uses (tourism, art, craft, spiritual retreats, well-being etc.), but are often taken up by people with very different values and lifestyles (hobby farmers, 'tree changers', retirees). Also, the comparatively lower cost of land can see development for council housing, which again alters the fabric of the community. This rural re-settlement paradox, whereby outsiders are needed to revitalize communities but simultaneously act as agents of change, can be shaped by government involvement, a relatively recent phenomenon. Through the gradual creation of tourism departments and ministries, governments attempt to create multi-use, self-sustaining strategies that are often linked with trade and commerce. Yet again there is a potential paradox here because over-regulation could conversely destroy the very nature of the rural tourism which it aims to support.

1.2 Ecotourism

Ecotourism is one possible solution for the set of challenges outlined above that increasingly confront our rural communities. There has been considerable debate among academics about the term 'ecotourism' and lack of consensus over a single specific definition, so three broadly-accepted elements were identified here:—

i) **nature-based** (set in a natural or rural area);
ii) **educative** (makes a conscious decision to educate tourists through experience); and
iii) is managed in a **sustainable** fashion (environmentally 'non-consumptive' and run for the community, especially in developing countries, where ecotourism income directly helps the local community.

1.3 Ecotourism certification and marketing

The next section discussed certification, a way of setting standards that should in theory be applicable to ALL types of tourism, not just ecotourism. Dr. Beeton is currently working on a paper that investigates global networks of ECO Certification, but it does not yet include any in Japan (although this is due to the language barrier). Australia has a plethora of certification schemes, such as Green Globe, Green Flag etc. Three levels of ecotourism have been specifically developed to give the industry a set of goals or a 'journey' to develop along:—

i) **Nature Tourism:** Entry level tourism in a natural area that leaves minimal impact on the environment; ii) **Ecotourism:** Tourism in a natural area that offers interesting ways to learn about the environment with an operator that uses resources wisely, contributes to the conservation of the environment and helps local communities; and iii) **Advanced Ecotourism:** 'Cutting edge,' most innovative ecotourism products, providing an opportunity to learn about the environment with an operator who is committed to achieving best practice when using resources wisely, contributing to the conservation of the environment and helping local communities.

There is also a system to accredit individual guides in Australia, and an indigenous accreditation system. Yet crucially, these are organized by the industry NOT by government. This reflects the nature of the tourism industry in Australia, where 80–90% of operations are either SMEs or run by families, resulting in a diverse and entrepreneurial culture. Where Australian government has been involved, it has been primarily interested in economic development in contrast to parts of Europe where government tourism policy has tended to focus more on social needs.

Government strategies have also involved land use policy to address competition between tourism and other industries such as forestry, fishing etc. As with

rural policy in general, the Australian government has been reluctant to over-regulate and stifle the entrepreneurial spirit. Yet the flip-side of this is a very frag-mented industry, making it difficult in practise to find inclusive means of marketing ecotourism. Partly because of this, the uptake of ecotourism has not been as high as was expected. Besides limited public recognition, there has also been negative press to deal with such as cynical claims of 'greenwashing'. Against these challenges, the importance of fundamentals such as knowing your target market cannot be over-emphasized enough.

1.4 Planning tourism FOR a community

Yet in conclusion, without good planning, no amount of clever marketing will bring success for ecotourism, or other forms of sustainable tourism. Hence sustain-able tourism planning FOR the community was the message underlined by the last section of the talk (i.e. community is KEY). The example was given of Fleurs-de-Lyse in New Orleans, a symbol of rebirth. Tourism must be woven into the host community; facilities built for tourists can also be used by locals, such as restau-rants, toilets etc. On the other side of the counter, tourists also want an authentic encounter with locals, even if this is something as mundane as the person serving tea in a café. Hence hospitality is all-important; and to encourage that, locals must be convinced that tourism is working to communicate positive vibes to visitors. At times there may be a sudden influx of visitors, which can lead to visitor manage-ment or crowd control issues. Conversely, there is always a risk of overestimating the market, such as the expected economic impact of tourism from movies or histori-cal assets etc. Hence planning, consultation and discussion are vital, and a commu-nity-based audit/assessment should be implemented ideally BEFORE tourism operationalizes.

Lastly, it was stressed that in order for tourism to be a successful strategy for community development depends on government, host communities and tourism operators working together. So the keynote talk ended with a proposal for more CO-OPETITION (COOPERATION + COMPETITION)...banding together to attract tourists to destinations...then competing for their income AFTER they arrive.

Table 1   Phases of a community-based audit/assessment

1. Community Organization	6. Tourism Marketing and Markets
2. Current Visitor and Economic Profiles	7. Project Identification and Scoping
3. Resident Attitudes	8. Impact Analysis
4. Visioning	9. Assessment Phase
5. Product Inventory	Post Assessment Phase: 'doing it'

Tourism paradox: "the fire that heats your home can also burn it down!"
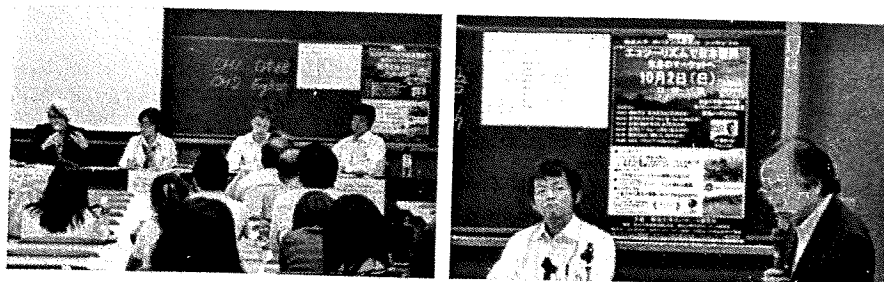
Presentation 2:

Ecotourism in Japan

Dr. Yurie Kaizu (Bunkyo University)

Associate Professor in Bunkyo University's Faculty of International Studies, University teaching ecotourism, sustainable tourism and 'treasure hunting.' A board member of the Japan Ecotourism Society, Dr. Kaizu worked as a consultant of regional development and ecotourism for a long time in Japan and overseas. Her published works include *'Japan Ecotour Guidebook'* and many other books.

2.1   The history of ecotourism in Japan

Dr. Kaizu's talk began with an introduction to global ecotourism, explaining how it emerged from a movement to minimize the environmental impact of safari tours etc. In 1983, Mexican Architect Héctor Ceballos-Lascuráin coined the term 'ecotourism,' and his modified version of the term would later be officially adopted by IUCN[2] in 1996, coincidently the same year as Australia began an accreditation system named NEAP.[3] Next, the focus shifted to ecotourism in Japan, where the term was taken up by policy-makers in the early 1990s in the aftermath of the bubble economy and Resort Law of the late 1980s which typified the generic trend of mass tourism. Ecotourism then spread via Japan's islands, national parks and especially those areas designated as UNESCO world heritage sites. Although initially targeting domestic visitors, from 2003 onwards the focus has been expanded to the international market due to the 'Visit Japan Campaign' which aims to attract 20 million foreign visitors by 2020. Also, an Ecotourism Law was passed in 2007 and activated in 2008.

2.2   'Treasure hunting' and Japanese ecotourism

The backdrop for Japanese ecotourism consists largely of secondary landscapes

called 'Satoyama',⁴ as few areas of primeval nature remain. Hence the Satoyama initiative (a vision for sustainable rural societies proposed at COP 10 in Nagoya 2010) offers important pointers for ecotourism in Japan. This strategic evaluation of resources includes 'treasure-hunting' for under-appreciated local assets and rich pockets of surviving biodiversity, and communal 'polishing' of said assets (i.e. group evaluation) as a means of organic community development.

2.3 The current state of ecotourism promotion

The third section of the talk focussed on regional or community brands. The example was given of a particular kind of millet which flourished in the Northern City of Ninohe, where a harsh climate had historically led to scarcity of white rice and sub sequent bouts of famine. Conversely, this millet is now being promoted as a regional brand, along with a new calendar developed to communicate seasonal specialities. Dr. Kaizu explained about the Ministry of Environment's five main Ecotourism Promotion tools; Charter, Manual, Compendium, Prize, Model Areas, which are assigned to a region or municipality, rather than specific tour operators. Also the 2008 Ecotourism Law paved the way for national licensing of ecotourism areas, but as of 2011 it had only been implemented in one area; Hanno City, in Saitama Prefecture just outside Tokyo.

2.4 Putting words into practice

Finally, Dr. Kaizu summarized the system of tiered government, focusing on i) national (ecotourism promotion law); ii) regional (ecotourism associations; guide associations and training); and iii) municipal (42 ecotourism councils across Japan). A bigger role is needed for travel agents and NPOs as the overall market for ecotourism remains underdeveloped, with less than 30% of visitors interested. Additional case study examples were drawn from Mie, Shirakawa-go, and Ogasawara.

Presentation 3:

Inbound Ecotourism

Dr. Thomas Jones (Meiji University)

From the UK, Jones got a PhD in Forest Science from Tokyo University in 2010. His research revolves around social science approaches to natural resource management, focusing particularly on national parks and other protected areas. Jones has published on themes related to nature-based tourism, place branding and regional revitalization.

3.1 Introduction — Japan as a 'Tourism Nation'?

Re-emphasizing certain aspects of the keynote presentation, Jones's talk began by mentioning background factors such as the shift from primary industries and manufacturing to a service-based economy. The recent government focus on inbound tourism, exemplified by policies such as the "Tourism Nation Promotion Act" (2006) and "Tourism Nation Promotion Plan" (2007) have sought to increase inbounds as the domestic market stagnates, shrinks and diversifies. As well as a numerical goal of 10 million inbound arrivals by 2010, another policy goal of the Japan Tourism Agency was to create an atmosphere where inbounds stay longer, thereby maximizing the economic impact. This would entail breaking the mould of 'package tours,' multi-stop trips where coach loads of visitors arrive en masse but only stop briefly at each destination. Hopes for inbound ecotourism are thus two-fold; firstly as an impetus to reform the domestic market and secondly as a counter-strategy to regional decline.

3.2 Current trends in the inbound & ecotourism markets

Yet despite a rapid increase in inbounds, the 10 million goal was not realized. After SARS and the global financial crisis triggered by the Lehman shock, 2010 was a year of recovery before the tragedy of March 11th, whereupon the number of April arrivals dropped by 62.5% compared to the previous year. Depending on the nuclear situation, it will take several years for tourist numbers to return to pre-quake levels.

Ecotourism numbers are harder to come by, but also seem to have peaked. The initial uptake was promising; for example, the percentage familiar with the term rose from 33.3% in 1999 to 63% in 2005. But the proportion who had experienced ecotourism from 2004 to 2006 was a mere 3.6%, 2% and 3.4%. Meanwhile the continued dominance of large, central tour agencies has come at the expense of the SMEs responsible for driving innovation and competition, resulting in few dedicated ecotourism companies and even fewer examples of successful ecotourism businesses.

3.3 Lessons from the Japan Alps

The next section summarized inbound ecotourism trends from a case study in the Japan Alps National Park,[5] using questionnaire survey results to monitor trends and focus group results to provide implications for marketing and policy-making. 2010 Summer Questionnaires ($n=203$) showed that Kamikochi visitors tended to be male, European,[6] aged 20~39 and FITs travelling around Japan independently. Kamikochi has comparatively more repeat visitors to Japan and 'expats' (i.e. those living in Japan for a period longer than the 3 month tourist visa — this trend was confirmed by high levels of Japanese language ability). Although the term itself is not currently used at Kamikochi, three indicators suggest that the inbound segment may be closer to an 'ecotourism' ideal than domestic visitors; i) 68% of inbound

visitors stayed the night ii) inbounds explored more of the Kamikochi valley iii) inbounds also tended to be FITs resulting in less leakage of expenditure, with inbound going directly to hotels and campsites, helping employ local staff who maintain facilities instead of flowing back to Tokyo-based large-scale travel agencies.

3.4 Conclusions and future directions

As language was the biggest barrier for foreign visitors, there is a need for targeted information to i) tell Kamikochi's story (e.g. via multilingual trail signs, and cultural as well as nature information); and ii) explain rules and customs (e.g. the ban on private cars). Although the results show inbound ecotourism' potential, there is a clear need for the CO-OPETITION mentioned by Dr. Beeton to successfully target inbounds using coordinated destination marketing, thereby helping to 're-brand' Japan after the 3.11 disaster.

In conclusion, inbound ecotourism at destinations including national parks is just beginning to take off in Japan. There is a need for on-going visitor monitoring studies, and destination management organizations that can galvanize supply-side actors to respond to the rapid changes in visitor demand.

Presentation 4:

Recovering from the 3.11 disaster

Dr. Kiyotatsu Yamamoto (Iwate University)

Associate Professor of Iwate University since 2011, before that he was Assistant Professor of The University of Tokyo (1999–2011). Working in the field of landscape planning and tourism, his research focuses around the methodology to protect visitor experience in national parks and protected areas. He believes nature experience and tourism issues are very important to rebuild Japan after the earthquake. Ph.D.

4.1 Damage assessment after the 3.11 disaster

Dr. Yamamoto explained about the terrible impact of the 3.11 disaster in which over 15,000 people are known to have lost their lives, with over 4,000 people still unaccounted for. He focussed on a ray of light; a sole surviving pine tree at Takata Matsubara, a popular 2 km stretch of shoreline that boasted some seventy thousand pines and around 1.1 million visitors per year. In 1927 it was selected as one of the

best 100 landscapes in Japan, and in 1940 it was designated as a Place of Scenic Beauty. Yet after the tsunami a solitary two hundred year-old tree was all that remained of the forest,[7] and the coastline was likewise devastated.
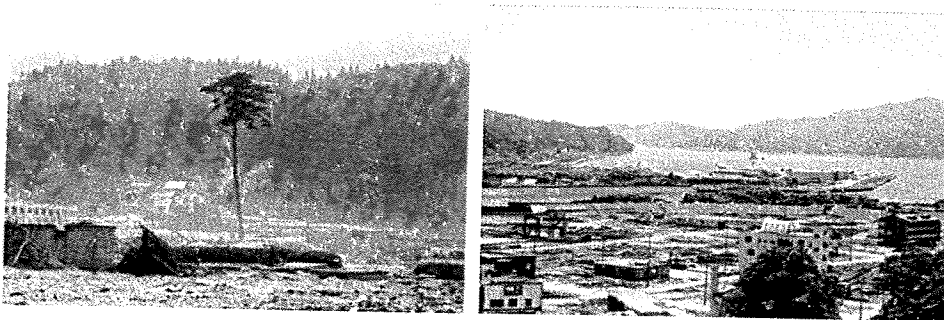
## 4.2 Volunteer activities by students from Iwate University

He explained about the volunteer activities carried out by students from Iwate University; these included delivery of everyday necessities, removal of debris, cleaning the emergency shelters, preparing meals and even giving massages! Students also helped support many elderly living in temporary housing. Other important roles included matching the activities of volunteers with the jobs that needed doing, and recycling daily necessities. They also helped organizing events, with live performances by local singers, and lessons in nail art and making Takoyaki![8]

4.3 Issues surrounding the creation of a new Sanriku National Park

Dr. Yamamoto also described some of the issues surrounding the creation of a new Sanriku National Park which would extend the existing Rikuchu-Kaigan National Park and combine it with a number of quasi-national and prefectural parks along the coastline. Some of the potential stumbling blocks, such as the zoning system, were identified, and the importance placed on Satoyama and Satoumi landscape by the Ministry of Environment underlined.

4.4 The earthquake recovery and tourism

The talk ended on this note of reflection on the cultural legacy of Satoumi and the importance of revitalizing communities around fishing and other traditional industries. One poignant photograph portrayed stone monuments that were a visual record of past tsunami; another showed fishermens' houses, often built to command a good prospect of the ocean. Through the use of such visual media, Dr. Yamamoto reminded us that the local communities developed in harmony with the sea over the course of history, so they will surely recover from this disaster and regenerate as they have done in ages past.
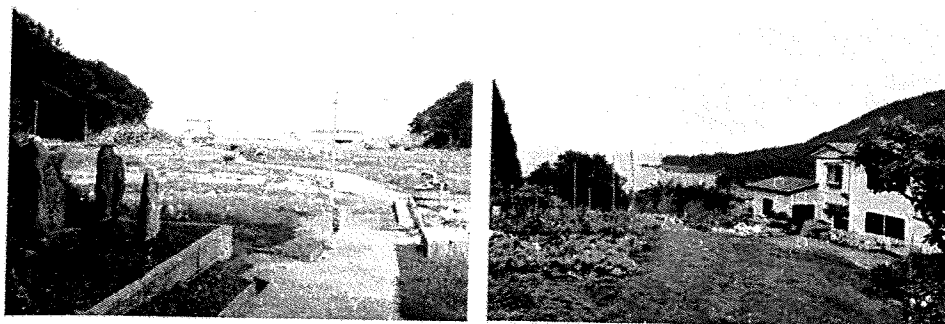
Notes

1 Sue Beeton (2006) Community Development Through Tourism (Landlinks Press).
2 The International Union for Conservation of Nature and Natural Resources.
3 Initially known as the National Ecotourism Accreditation Program, but renamed in 2000 as the Nature and Ecotourism Accreditation Program.
4 *Satoyama* is a Japanese term for a patchwork of secondary ecosystems including forests, farm lands, irrigation ponds, and grasslands which have been managed in close proximity to human settlements to ensure ecosystem services for human well-being. The concept was later extended to *satoumi* in marine and coastal areas.
5 Results of the Kamikochi Inbound Project set-up by Matsumoto City to meet the needs of growing numbers of international visitors to Kamikochi and the Japan Alps. Thanks to the Tourism and Hot Springs Department of Matsumoto City office for use of the data.
6 However the survey language was English, so Asian visitors were not represented.
7 Later, the tree was also found to be on the verge of death because of the corrosive effect of salt water. The tree's genetic material has thus been preserved for later regeneration.
8 Literally fried or grilled octopus, Takoyaki is a popular ball-shaped Japanese dumpling or savory pancake made of batter and octopus bits and cooked in a special rounded pan.

List of Contributors

Special Contributors:

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Professor of Public Administration, Department of Government at the University of Gothenburg, Sweden. He has a large list of publications in the area of public management and administration. These include: *Debating Institutionalism, the Politics of Urban Governance, Governance, Politics and the States.* He was the former editor of the renowned international journal, *Governance,* and one of the leading experts on theories of government and governance.

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Professor and Dean of the Professional Graduate Schools at Meiji University. He teaches urban issues and policies. Among others, his latest publications include two books on urban transportations in and around Tokyo. These have become one of the most well read books in the country. He has also been involved in a project which scales living amenities among leading urban sectors in different countries.

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Rosario Laratta is a senior assistant professor of community policy and management at the School of Governance, Meiji University. He grew up in Calabria, Italy, and moved to England to study at Warwick University where he earned a Masters and a PhD in Sociology. He is the author of some books and has published several dozens of articles, including peer-reviewed papers on leading international journals. He is also a member of a number of academic associations in Italy, UK, and Japan.

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Jones is Senior Assistant Professor at the Graduate School of Governance Studies in Meiji University in Tokyo. Originally from the UK, he gained a PhD in Forest Science from Tokyo University in 2010. His research currently revolves around social science approaches to natural resource management, and he has published on themes related to environmental policy, nature-based tourism and regional revitalization.

James C. House, M. Phil. (University of Cambridge, U. K.)

James House is a professor of language, culture and communication at the School of Information & Communication, Meiji University. He was born and brought up in the UK. He studied in London and Cambridge. Initially, he studied English Literature, specializing in Drama, and went on to study Phonetics and Speech. He has written many textbooks and articles. He was a broadcaster and continues to perform as an actor. His performance as Scrooge in A Christmas Carol will be available as an "app" in 2013 and so will his novella about Sherlock Holmes in Japan, called The League of Blood.

Hiromune Ishii, Ph.D. (Meiji University, Japan)

Hiromune Ishii is CEO of Sanshin Electric Co. Ltd., a medium sized electronics firm based in Tokyo, and also has established more than six enterprises. He grew up in Tokyo and earned his M. A. and Ph.D. in Business Administration from the Graduate School of Business Administration at Meiji University. He teaches "Japanese Business Management" as an adjunct lecturer at the Meiji University Graduate School of Governance Studies and "Accounting for Performance Management" at the Meiji Business School.