

Exclusive Interview

LEADERS IN JAPAN

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President, the Institute of Developing Economies (IDE), JETRO

Dr. Fukunari Kimura



Expectations for the Institute of Developing Economies (IDE)

By Naoyuki Haraoka

We had an opportunity to interview Dr. Fukunari Kimura, president of the Institute of Developing Economies (IDE) at JETRO, a Japanese think tank with a particularly strong presence in the Global South. Before becoming the president of IDE-JETRO, Dr. Kimura served as chief economist at the Economic Research Institute for ASEAN and East Asia (ERIA), often referred to as the Asian equivalent of the OECD. He is someone who can persuasively articulate Japan's position and perspective regarding the Global South, particularly ASEAN countries, which will be increasingly important for Japan going forward.

(Interviewed on Sept. 3, 2025)

Mission & Current Status of the IDE

Haraoka: The IDE has always drawn great interest from the Global South, with many people from the region expressing a desire to visit the institute or attend events it hosts. I would be grateful if you could share the key strengths behind this popularity, along with an overview of your recent major activities.

Kimura: Although the Japanese name of the IDE includes "Asia", the institute's purpose is to provide an intellectual foundation for understanding the politics and economics not only of Asia but of emerging and developing countries worldwide. We have approximately 110 researchers covering various fields. As an institute specializing in developing country economies and of this scale, we are unique in Japan. Our basic research approach is to effectively integrate regional studies with academic disciplines.

Regarding regional studies, we adhere to the three principles of fieldwork: first, master the local language; second, collect local information and data; third, conduct field research. Based on this, we have established a system where about two-thirds of our researchers are capable of handling the local language.

While grounded in regional studies, it is crucial that our research spans across academic disciplines in various fields. We emphasize not merely understanding local contexts, but also examining emerging and developing nations through scholarly perspectives.

Economics and political science have the largest number of researchers, though we also have scholars in international relations and international law. While the weight given to regional studies versus academic research varies by individual, the institute as a whole strives to effectively integrate both. Research themes are diverse and difficult to summarize succinctly. For example, this fiscal year, 75 research projects – both ongoing and new – are being funded by government grants. We are also actively securing Grants-in-Aid for Scientific Research, with 24 new projects commencing this year.

We also provide foundational information on various countries. For instance, we regularly publish the Annual Report on Asian Trends for Asian nations, along with the Latin America Report and Africa Report for each region, disseminating insights on political and economic developments. While academic research remains a core mission, we consider it equally important to provide a basis for discussion on current events unfolding in Global South nations.

Haraoka: Are you quite actively engaged in joint research with overseas institutes?

Kimura: First, on a researcher basis, we have individuals conducting research based in various countries, so there are many connections established through them. Separately, we also have multiple projects underway between research institutes themselves.

To give recent examples from my own circle, we have a joint

project with ERIA. Currently, a research project on supply chain resilience is underway. Then there's one on India's trade policy, conducted together with an Indian think tank. We also collaborate on research with a Taiwanese institute on various themes. Regarding APEC, we have a project on trade in services. We are also cooperating with a Dutch institute on an urban development project.

While I would like to secure a greater budget for large-scale international collaborative research, we are already expanding research cooperation with various partners under the current circumstances.

Dealing with China's Growing Presence

Haraoka: China's presence has become increasingly significant. For instance, through initiatives like the Belt and Road and the AIIB, China's influence over the Global South is growing stronger. In this context, how do you think Japan should respond?

Kimura: While China's economy is striving to establish a self-contained domestic system overall, its outward momentum remains strong. Particularly since the start of President Donald Trump's second term, the United States has been imposing various measures on Third countries, including reciprocal tariffs, and the situation where Western values are simply respected may be fading. Within the Global South, perceptions of the US had already grown critical, partly due to issues like the Gaza conflict. Meanwhile, Chinese economic forces continue to advance aggressively.

For Japan, one major point is expanding the areas where Japanese companies can conduct business. However, even new investments targeting Southeast Asia have been relatively sluggish lately, leading to perceptions of a somewhat lackluster state. In this context, I have consistently believed that it is becoming increasingly important for Japan to engage with the Global South through soft power approaches – such as economic diplomacy, joint policy research, and cooperation in education, science, and technology.

Japanese Companies' International Presence

Haraoka: As you mentioned, it's deeply concerning that Japanese companies' presence in investment is gradually diminishing. Shouldn't Japan secure its influence in the Global South through the conclusion of FTAs and RTAs? For example, what are your thoughts on FTAs with Mercosur and Africa, which aren't progressing very well at present?

Kimura: Since the start of the second Trump administration, there has been a rapid surge in Third countries either signing new FTAs or upgrading existing ones through renegotiation. One focal region is ASEAN, but beyond that, movements toward economic integration are accelerating in other areas as well – countries in Europe, the GCC, and perhaps Latin America like Mercosur – with several nations and regions serving as key nodes.

Japan, too, is being called upon to pursue FTAs and similar

agreements more proactively. In Japan's case, since it already has agreements like the RCEP and CPTPP, it is only natural that we should consider how to leverage these existing tools to invigorate trade and investment while preserving a rules-based international trade order.

Currently, Japan is advancing FTA negotiations with Bangladesh, and the IDE is also cooperating on JICA projects associated with these negotiations. However, there is also the aspect that some people on the other side do not fully grasp fundamental points, such as why high-quality FTAs are necessary.

When it comes to FTAs that invigorate Japanese corporate activities, I want people to understand that the first step is creating an economic environment where manufacturing and other sectors can expand. However, when speaking with people from developing countries with no experience in advanced FTAs, some immediately ask what aid Japan will provide in exchange for the FTA. FTAs aim to promote mutual economic growth through self-driven policy reforms. Yet even in South Asia, this fundamental point isn't fully grasped, and I suspect it becomes even more challenging when dealing with African nations. Perhaps it's not simply about accumulating the number of FTAs.

Japan's strength lies in its experience in East Asia. I believe one particular strength is the experience of countries in Northeast Asia and Southeast Asia achieving economic development based on manufacturing. Therefore, I think one approach is to consider developing countries' development strategies as an extension of that model. I also believe it is important to effectively utilize FTAs in conjunction with development strategies.

Supplying High-Quality Infrastructure

Haraoka: In addition to the FTA with Japan you mentioned, wouldn't it be beneficial to build high-quality infrastructure? When it comes to China's infrastructure, quantity inevitably gets the most attention, but I think there are questions about the quality. Determining where and how to build that high-quality infrastructure will likely require various analyses. What are your thoughts on that?

Kimura: High-quality infrastructure is a good selling point for Japan, but ultimately the other party will decide based on where they find a balance with the price. If we want to push the sale further, I think we need to persuasively explain why infrastructure of this specific grade is necessary. We shouldn't just build infrastructure for infrastructure's sake; we need to look at it from the perspective of what kind of economic activity that infrastructure will support.

For example, when it comes to access roads in rural areas, ensuring safe access is likely the primary concern. However, when it comes to infrastructure supporting machinery manufacturing where parts move back and forth, high-grade infrastructure is necessary to achieve just-in-time production. It's not simply a matter of uniformly high quality. What's important is starting from the perspective of what economic activities it supports, what industries will emerge here over the next 10 to 15 years, and how to support them.

For example, Japan is currently supporting the Matarbari Project in Bangladesh. Bangladesh has not yet integrated into the global production network for its machinery industry. To achieve this, it requires a comprehensive set of high-quality infrastructure: a port with a robust container yard, industrial parks with favorable investment environments, and so on. Expanding such infrastructure from Southeast Asia to South Asia, and eventually to Africa and beyond, is crucial. I believe this represents a form of economic cooperation, trade, and investment uniquely suited to Japan.

Building Cooperative & Co-Creative Relationships with the Global South

Haraoka: The question is how we should build cooperative and co-creative relationships with each region in the Global South. For example, in Africa recently, job creation seems to be a major focus, so I believe we must engage in cooperation that contributes to that. Regarding regional collaboration, if you were to briefly point out the characteristics of each region – Africa, South Asia, and the Middle East – what would your thoughts be?

Kimura: First, in East Asia, and particularly Southeast Asia, manufacturing serves as the foundation for economic development. The strength of manufacturing lies in its ability to create a large number of jobs, including those in related service industries. It generates significant employment for people with relatively low levels of education, enabling economic development while maintaining a certain degree of inclusiveness. I believe this recognition of manufacturing's importance is shared by many countries in Southeast Asia.

India has seen significant attention focused on service industries like IT, but in terms of the volume of jobs created, it remains insufficient. I believe the view is emerging that manufacturing needs to be developed further. Bangladesh faces a similar situation.

When it comes to Africa, I believe there was a long period where it was difficult to make long-term investments due to political instability. As a result, developing a manufacturing base has been challenging, and the infrastructure needed to support it remains insufficiently developed.

There is debate over whether a development strategy without manufacturing is feasible. Of course, the introduction of digital technology can boost productivity in various subsectors of the service industry, so I believe we should actively pursue such initiatives. However, whether the service sector can generate sufficient employment, become a center of innovation, or develop into an industry capable of earning substantial foreign exchange remains to be thoroughly verified.

Haraoka: While digitalization is extremely important for Asian countries, is it not yet as critical for other regions? If we consider that in Africa, for instance, more people are already using mobile devices for various economic activities, does this mean

supporting digitalization everywhere becomes a key point?

Kimura: That's absolutely correct. It's probably not that Asia is more advanced; digitalization is advancing everywhere. While discussions about the so-called digital divide still arise, the phase where the core issue was whether or not people could connect to the Internet likely ended about 10 years ago. We've now moved into the stage of how to utilize digital technology. Digital technology is permeating every aspect of life, and it's important even for developing countries not to fear new technology excessively but to embrace and use it.

When you visit developing countries today, you often find that digitalization has progressed further than in Japan even at the grassroots level. This suggests the world is moving forward simultaneously. Within this context, the issue of data portability is increasingly coming to the fore. AI-based platform operators and similar entities will grow rapidly from here on. In that sense, the topics of data portability and data walling are likely to become critical issues over the next year or two, involving developing countries as well.

In the bilateral tariff negotiations with the US, we hear reports that the US is making demands like "Hand over all your country's data." Protecting our own data is one thing, but strategically deciding who to partner with will become even more crucial.

In any case, the adoption of digital technology is advancing rapidly. It's penetrating not only manufacturing but also sectors like agriculture and mining. Simultaneously, the service industry, which is driving digitalization, is becoming increasingly vital. For a developing country, I believe the approach will be to proceed as openly as possible, utilizing foreign companies as well. However, the challenge will likely be how to effectively balance this with the issue of data.

Haraoka: One point Japan should bear in mind to become an indispensable presence for the Global South is that people in the Global South often perceive Japan as akin to advanced Western nations. Consequently, they react strongly when Japan adopts the same stance as Western countries. Essentially, they tend to resist when it comes to rules-based international trade systems or free trade. To convey that Japan is not like advanced Western nations, that Japan is different, how should we play up our uniqueness and strengths?

Kimura: One thing is that when we talk about the Global South, it clearly carries the weight of its colonial history. I think there are valid reasons for its resistance to the system established by developed nations.

However, there is also a significant question of whether such resistance is truly beneficial. Particularly regarding trade policy, since the start of the second Trump administration, US trade policies have been weakening trade rules in various areas. In response, developed countries and others have taken retaliatory measures or rebalancing actions, often involving rule violations. Furthermore,

engaging in bilateral negotiations with the US frequently forces countries into making commitments that violate WTO rules.

Emerging and developing nations also understand that it is clearly not in their interest either if the rules become jungle rules where powerful nations simply do whatever they want. They must grasp that now is not the time to overturn and rebuild the entire system. Even if the rules aren't perfect, they must cooperate to uphold the broad framework of existing trade rules, at least among Third countries.

It's often said that US goods trade accounts for only about 8% of global exports and 15% of imports. Therefore, roughly 80% of world trade is still functioning properly. For the countries included in that 80%, it's crucial to protect the current trade system from devolving into a jungle rule.

In terms of broader "Western values", both the Russia-Ukraine conflict and the Gaza conflict unfortunately risk undermining Western credibility. Particularly from the perspective of Islamic nations, it is difficult to believe in the "rule of law" advocated by the US and Europe when they support the Gaza conflict. Japan has been vague about its position, but I believe the view that the stance of developed nations regarding crucial Western values like democracy and fundamental human rights is hypocritical has been growing stronger lately.

It is crucial to keep reiterating that the values championed by the West are fundamentally important, even if it involves a certain double standard. While Japan is not entirely without its own issues, I believe it is vital for us to explicitly state our support for Western values like democracy, human rights, reducing inequality, and free trade among Third countries, and to repeatedly affirm that Japan will act based on these standards.

Japan's Strengths for Building Friendly Relations with the Global South

Haraoka: As I mentioned, the IDE is very popular among the Global South. I believe there are two reasons for this. One is that Japan is seen as a very peaceful country that poses no security threat, so engaging with it is risk-free. The other is that, until now at least, many developed Western nations have insisted on controlling everything through market mechanisms, which are the principles of their capitalism. In contrast, Japan is seen as not being so rigidly dogmatic. It is more tolerant and willing to accommodate the systems of various developing countries, even if they don't necessarily fit neatly into market mechanisms. What are your thoughts on this?

Kimura: Japan certainly has strengths in terms of trustworthiness, or rather, not arousing suspicion, as often discussed in surveys like those by ISEAS in Singapore. Conversely, this also means Japan is seen as neither harmful nor threatening. I sometimes wonder if it's wise to rest on that complacency.

For Japan, I believe it's crucial to gradually build a framework that

allows Japanese companies to engage more with the Global South. In that sense, Japan's involvement in East Asia, including Southeast Asia, is already very high, with economic activities interconnected at multiple levels. The next step is expanding this to South Asia and then Africa. We must consider what conditions will be necessary for that, and how Japanese companies can enter these markets while also assisting their economic development.

When it comes to investing rather than just trading, we must truly understand those countries. It becomes crucial to commit to them for the long term, and I believe the number of countries where Japan can do this remains limited. We must consider expanding this further.

I think the global perspective on industrial policy has changed significantly. Japan has long grappled with the question of what policies can put us firmly on a growth trajectory, rather than ones that worsen the situation. It's not about liberalizing everything indiscriminately, but globalization is driven by technology. This momentum won't be halted by Trump tariffs. Rather than shutting it down, the challenge for Global South countries is to leverage it effectively to accelerate economic growth and create jobs.

In that sense, I believe there is common ground in the direction taken by Global South countries as they ride the wave of globalization and by Japanese companies conducting business there. It is important to adopt an approach that walks alongside their economic growth while keeping Japanese business interests in view. Going forward, aid will decrease globally. They too have likely come to strongly recognize that investment is more important than aid.

Japanese Corporate Investment in the Global South

Haraoka: Connecting to that investment discussion, I have a question from a different angle. I've heard that one reason Japanese companies' investment presence in the Global South has declined significantly, especially compared to China, is that they've become ingrained risk-averse, reacting very sensitively to risk. What are your thoughts on this?

Kimura: While they may be well aware of the risks, looking at the overall trend among Japanese companies over the past 10 to 15 years, the result – regardless of the various theories about the root causes – has been that they have largely avoided making investments themselves, focusing instead on asset management.

Furthermore, relations with China have become particularly difficult since 2010. Because Japanese companies had developed their China Plus One strategy, even when the US-China tariff war began during the first Trump administration, Japanese companies hardly exported from China to the US. Consequently, they largely avoided having to relocate factories from China. In that regard, I believe they differed significantly from Korean and Taiwanese companies.

The US remains a crucial country, so we must certainly continue engaging with it. However, given the extremely high level of policy uncertainty there, and with Europe also increasingly turning inward,

we must naturally consider expanding business into the Global South.

In this context, situations will arise where we must take a certain level of risk to make progress. For instance, we could explore creating FTAs with these countries, support their infrastructure development, or collaborate on policy research. There are various approaches. The fundamental premise is that thoroughly understanding the economies of these countries before engaging with them will be crucial.

Japanese companies are often praised for their tenacity once they begin an investment. Moving from Southeast Asia to South Asia alone presents numerous challenges. While Japanese people certainly need to toughen up in some areas, there are also many aspects where we want the other side to change. Ultimately, I believe this boils down to strengthening our engagement.

Promoting a Rules-Based International Trade System

Haraoka: If we can better convey the importance of a rules-based international trade system to the Global South, it would mean they could invest with greater peace of mind. That becomes extremely important. In East Asia, the WTO is still valued, so no one objects when we say the WTO is important. But when you go to South Asia, places like Bangladesh or India, I get the sense it's viewed with considerable distrust. How do we address this? Is the only way to keep pushing for FTAs? Countries like India are reluctant to join FTAs. What should we do?

Kimura: Among the Global South, large nations like India, South Africa, and Brazil face particular challenges. Given their size, it's understandable that they might prioritize inward-looking efforts within their own borders over simply embracing free trade.

The situation is different for smaller developing countries. Without a reasonably stable international environment, they may struggle to connect effectively with the outside world. While there is the question of whether developing countries perceive the system as advantageous, for smaller nations, free trade and the WTO dispute settlement system remain crucial.

Furthermore, the WTO is fundamentally involved only in the world of goods trade, and liberalizing goods trade alone often falls short of attracting investment. We must simultaneously pursue liberalization in areas like services and investment, along with developing economic infrastructure. It is essential to understand that FTAs and EPAs extending beyond goods trade are also crucial.

While FTAs were initiated somewhat belatedly as East Asia's production networks were forming, I believe they played a crucial role in establishing a stable trade and investment environment. It is vital that people in other regions understand this.

Haraoka: India has been hit with high tariffs of up to 50% by Trump, and as a result, it has been moving closer to China and Russia. Recently, we seem to be

seeing instances where they act together within BRICS. Japan feels it must somehow stop this movement, but I would appreciate your thoughts on how we should proceed.

Kimura: Even before the start of Trump's second term, something new has been happening in India, particularly regarding the formation of production networks in the machinery industry. First, on the import side, imports of electronic components and other items are rapidly increasing. While China remains the largest source in terms of volume, imports from Japan, South Korea, Taiwan, and ASEAN are also growing significantly in terms of growth rate. India is beginning to participate in the electrical and electronics production network from the import side.

Exports remain very small overall, but they are growing, including exports to the US. Roughly 40% of these exports are likely Apple iPhones. The emergence of such exports, previously nonexistent, is fostering a growing sense among Indians that India too can become part of the production network.

At one point, there was a strong sense that the strategy would be inward-looking, but recently more people are saying that perhaps trade should be liberalized a bit more. In that context, we are currently advancing joint research between IDE-JETRO and Indian think tanks. Discussions surrounding the conclusion of FTAs are also active, and there are reports that negotiations with the EU are nearing a settlement.

Regarding trade with the US, even if fairly high tariffs were imposed, from India's perspective, its exports to the US only account for about 2% of its GDP. So, to put it bluntly, even if those exports were to disappear entirely, it wouldn't necessarily bring down India as a whole.

Another point is that iPhones exported by Apple are likely exempt for now. Therefore, in reality, the reciprocal tariffs cause little actual harm to India.

For other Global South countries, the impact of these reciprocal tariffs is also relatively minor. Since US tariffs primarily target nations with large trade surpluses against America, Southeast Asian countries naturally become the main focus. However, for most other Third World nations, the impact is likely negligible. In fact, the cost of a weakening rules-based international trade order may prove far greater.

IDE in an Era of Economic & Political Synchronization

Haraoka: It's said that the link between economics and security is growing stronger now, and economics and politics have become inextricably intertwined. Even when an FTA is concluded, the question arises: what is its political significance? Does this kind of development also affect the various research activities at the IDE?

Kimura: While the IDE focuses heavily on long-term themes, the link between recent trade policy and economic security is a crucial topic,

so several researchers are concentrating intensely on this area. As an economist, I think it's a bit off to assume everything revolves around security. We analyze how economic movements and security logic intersect and relate, using various trade and industry databases. This is our specialty, and we conduct diverse analyses.

Regarding Trump tariffs, we maintain a geographical simulation model and regularly update and publish analyses such as "What effects occur when tariffs of this magnitude are imposed?" We particularly focus on disseminating the effects on Third countries.

Within this framework, in terms of the IDE's role, we need to ensure we have solid, usable foundational economic intelligence on the Global South – information on each country's political system, its political situation, and the state of its economy. Strengthening this economic intelligence is, I believe, one of the IDE's key challenges. Considering what is needed to provide sufficient economic intelligence, one question is how to supplement research on countries and regions we currently undercover. Additionally, on the academic research front, the inter-disciplinary approach with various fields beyond economics is advancing, making it crucial to keep an eye on these research trends.

I believe it is crucial not only for the IDE but for Japan as a whole to strengthen its economic intelligence framework. Looking across Japan, it seems the pool of researchers engaged in regional studies is gradually shrinking. It doesn't necessarily have to be the IDE, but I think Japan as a whole needs, at the very least, a system where there are people properly monitoring the politics and economies of important countries. If Japan cannot do this strategically, it risks losing its ability to project its presence as a middle power.

What Is Expected of ERIA Going Forward

Haraoka: ERIA is undertaking activities that are truly vital for Japan. When it comes to helping countries, including those in South Asia, understand how crucial a rules-based international trade system is for economic development, ERIA's work is extremely important. How do you think ERIA's activities should proceed going forward?

Kimura: ERIA was established in 2008, and its initial major challenge was economic integration. Significant emphasis was placed on economic integration and enhancing connectivity, and the issues requiring attention were very clearly defined. However, the key priorities have gradually shifted toward digitalization and greenhouse gas net-zero emissions, significantly altering the areas ERIA must cover.

Regarding digitalization and zero emissions, the Japanese government has allocated substantial budgets, enabling the expansion of various activities. On the other hand, while traditional issues like economic integration and matters closer to trade policy remain, along with forming industrial clusters, improving connectivity, and social issues such as social security and aging populations, the weight given to these areas seems to have decreased somewhat. Particularly regarding digitalization and zero emissions, there has been an increase in inputs closer to operational

activities, while academic research has become somewhat less prominent. How ERIA balances these areas going forward is likely to be one of the key challenges ahead.

I believe ERIA's activities also served a purpose in building capacity for policy researchers within ASEAN, but I feel that aspect has been diminishing lately. I think striking a better balance could be achieved by pursuing practical challenges like digitalization and zero emissions while making more effort to link with academic research.

When ERIA was established, I thought that within about three years some country would surely acquire it through M&A, or create an organization with a budget 10 times larger, driving us out. That didn't happen. Japan still holds an advantage in this kind of activity, so I sincerely hope ERIA will continue its efforts.

Haraoka: I believe interdisciplinary research is becoming increasingly important. The situation is highly complex, involving sociological concerns, geopolitical concerns, and economic concerns. How to objectively research this is a very difficult challenge. I also think we need to increase both the types and number of specialized researchers.

As a common challenge, I believe it is crucial that our work be evidence-based. In that sense, I would like to conclude by asking how you envision incorporating an evidence-based approach into your future activity plans.

Kimura: Micro-level topics like causal inference in development economics have advanced significantly, and I believe that progress is very important in its own right. On the other hand, the number of researchers discussing national development strategies is steadily declining. While evidence-based approaches that allow for rigorous tracking are excellent and should be pursued further, when it comes to debating national development policies, I suspect there are areas where such academic approaches connect well and others where they do not.

Researchers who look at the whole development strategy are necessary, but these scholars are gradually losing their voice within academia. Consequently, there's a trend where the big picture discussions are increasingly becoming the domain of think tanks and consultants outside the academic sphere. There are also many areas where input can be provided from the academic research line. In terms of maintaining actual points of contact with the real economy and society, I believe maintaining an overall balance is also one challenge for the academic community.

Haraoka: Thank you very much. I learned a great deal.

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Written and translated by Naoyuki Haraoka, editor-in-chief of *Japan SPOTLIGHT*, with the cooperation of Tape Rewrite Co.