This paper follows the logic of these economic justifications and verifies its appropriateness.

Many standard industrial economics have managed to explain the problems of quality designation by way of "asymmetric information". From this point of view, the commitment to quality production by producers is auto-executive, because producers have incentives to maintain their high quality production through the reputation mechanism. If producers commit fraud, they will lose trust and consequently quasi-rent. In such a case, the market mechanism is enough to execute the built-in incentive mechanism. But the problems of hold-up appear by way of asset specificity. So it is necessary to construct partnerships between producers to monitor the free ride. The French Ministry of Agriculture relies on this justification to safeguard Label Rouge poultry.

But behind these explanations, there is an important theoretical problem. That is a problem of trust and the reputation mechanism. Is trust a residual category for economic analysis as O.E. Williamson insists? French theory of convention insists on the importance of the notion of "trust" in economic analysis. We think that the trust is crucial to quality production.

In France there appear diverse trends of Neo-institutional economics in the field of agricultural economics (ex. French theories of regulation and convention, and research groups at ATOM (University of Paris 1)). It is useful to apply such heterodox economics to Japanese situations.

A Study on Agricultural Product Trade Structure and Trends in the Asia-Pacific Region

Sotaro INOUE

Introduction to Research Results

Asia-Pacific agriculture has a large impact on Japan through the trade of agricultural products. In particular, due to the rapid increase in population and economic growth in developing nations in the region, its position in the international agricultural products market has been rapidly increasing. This study analyzes agricultural product supply and demand and agricultural trade structure, the background of fluctuations in these structures with regard to the increasingly important developing countries in the region, and provides information on the supply and demand prospects of the Japanese food market.

The approach taken is to first analyze the grain supply and demand structure of the major developing Asian countries by collecting and scrutinizing related statistics and documents. Further, a multi-faceted consideration of the historical development of international grain prices and structure of importing/exporting countries was included. Besides this, through the development and use of the Stochastical International Grain Market Model, quantitative analysis was performed regarding the prospects of international grain supply and demand, and the effects of international reservation policies.

The principal information obtained was as follows.

(1) First, agricultural production and the food market situation in the future in Southeast Asian countries are studied in relation to the resource endowment and its change by reviewing preceding studies and related statistics. For example, in Indonesia the government support reduction of rice production resulted in supply instability after rice self-sufficiency had been once achieved and the weakened ability of the food supply has become a problem.

(2) Next, the historical evolution of the international grain market was studied, mainly for rice, the staple food in many developing Asian countries. In particular, cyclical fluctuations and trend-like fluctuations inherent to the market were studied. As a result, it was pointed out that while the international price of rice maintained linkage among prices of other grains, the real base is on a downward trend, and viewed cyclically, is prone to repeated sharp rises and falls (Fig. 1). Also, fluctuations in the make-up of major rice exporting countries were analyzed (Fig. 2) and data was collected in the context of India and Vietnam emerging as new rice exporters.

(3) For the quantitative approach, the Stochastical International Grain Market Model was developed, and a number of simulations were conducted. This model is an improved version of the existing three-grain model for rice, wheat and maize. Using this stochastical model, Monte Carlo Simulations, using random variables with a Gaussian distribution, were performed during the 2000 to 2020 forecast period, and the effects of yield

fluctuations on the fluctuations in international prices were forecast (Fig. 3). Further, simulations were performed in which yields were fluctuated during the 2000 to 2005 forecast period, and effects of an international rice reserve system were simulated. Major findings were 1) the implementation of a 2 million ton reserve each year serves to suppress fluctu-ation in the international price of rice, 2) international reserves have little effect on the international price levels of grains 3) implementation of reserves has the effect of decreasing fluctuations in food consumption of developing nations, and this effect increases when crop fluctuations become severe.
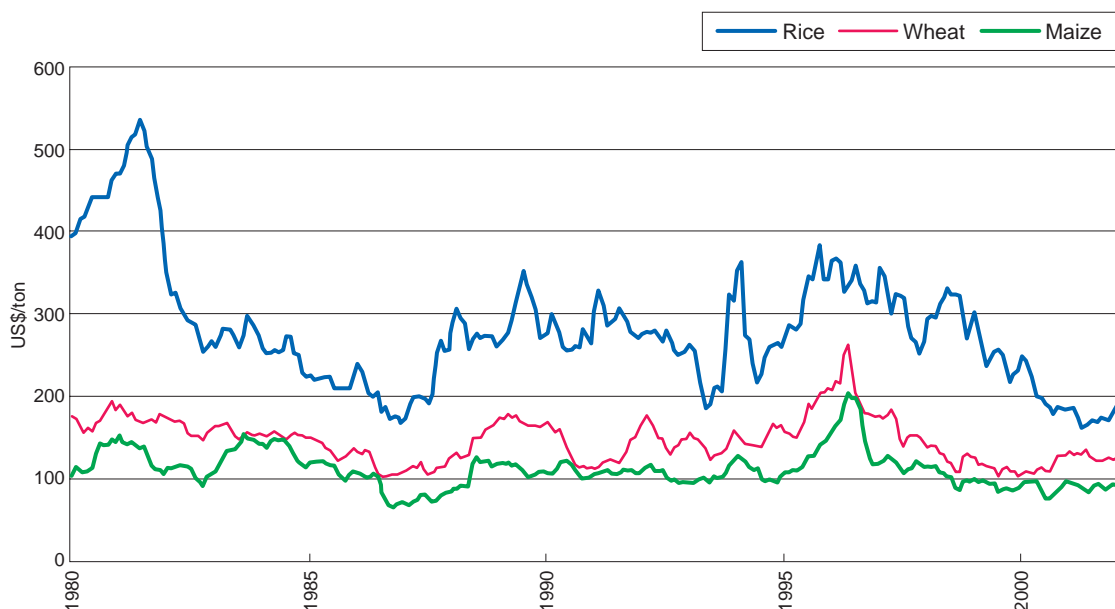
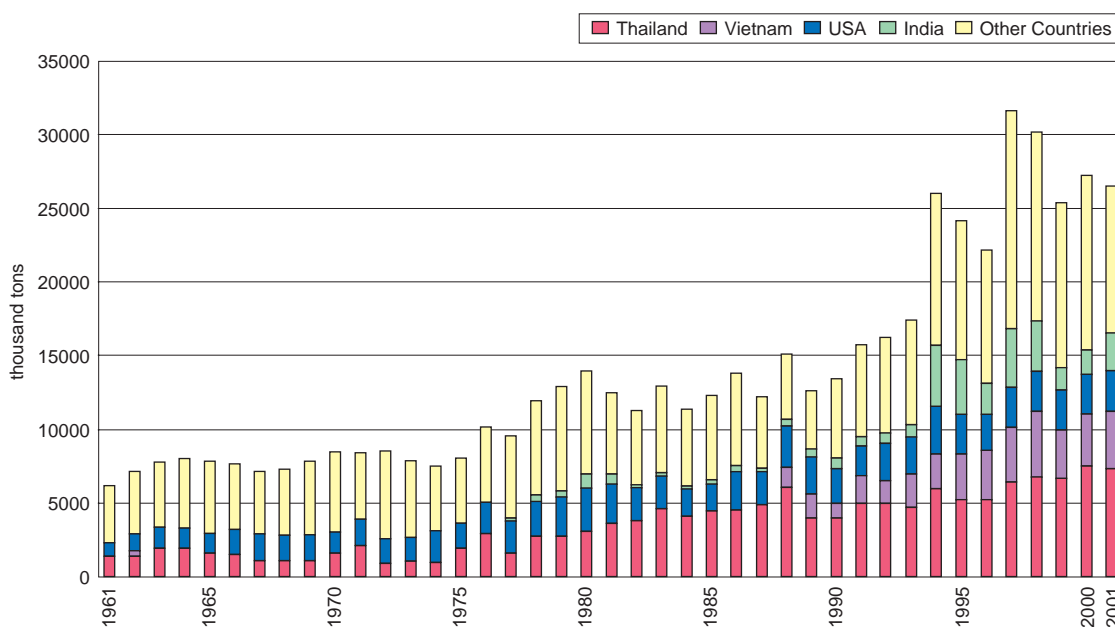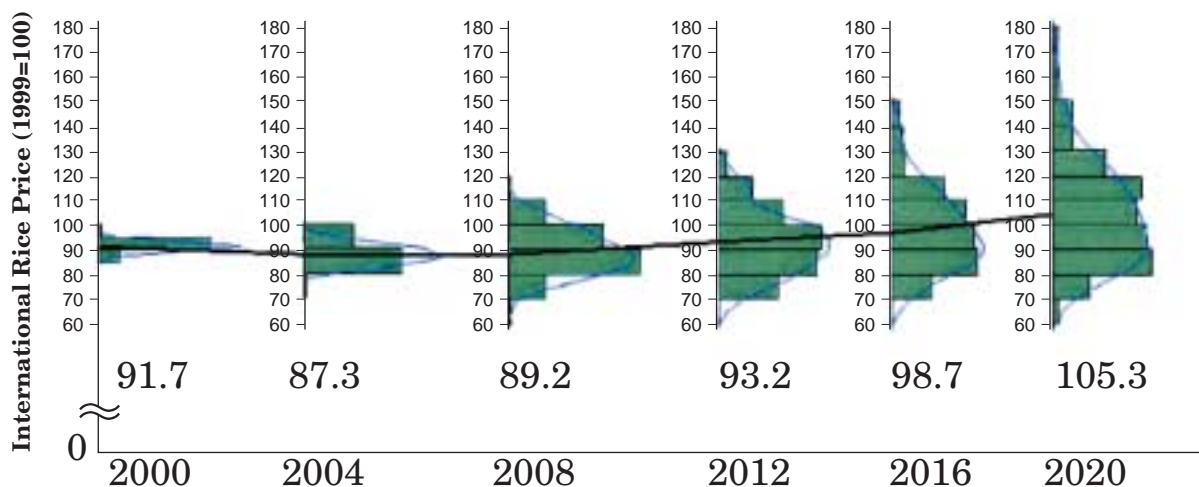**Fig. 1.** International Grain Price (nominal)

Fig. 2. World Rice Export

Fig. 3. Monte Carlo Simulation Results by Stochastical International Grain Market Model: International Rice Price from 2000 to 2020 with Yield Fluctuation

Note: The numbers below the histogram are the averages of projected international rice price.

Agricultural Finance and Hamlets in Vietnam

Takashi OKAE

1. Introduction

According to the Doi Moi policy, financial institutions were created to help individual farmers adjust to the market economy and have succeeded in reducing transaction costs of their loans through a group lending scheme in collaboration with mass organizations. But there have been no studies that tried to provide detailed information on the functions of those groups and organizations.

This study investigates the actual functions of credit groups and organizations that intermediate bank loans and indicates the importance of hamlets on the reforms in the direction of a market economy.

2. Surveyed site

I conducted surveys in one village which has the typical problems of rural areas of the Red River Delta (Northern rural area includes Hanoi Capital) such as high population density and difficulty in market access. Officially people borrowing from the VBP (Vietnam Bank for the Poor) should form a joint liability group, called a Saving and Credit Group (SCG). Actually, a SCG was formed in only one hamlet in that village. I conducted surveys on all the households in two hamlets (one has a SCG, another does not) who received loans from Agribank and the VBP.

3. Mass organizations

The VBP's financing service is given mainly through the FA (Farmers' Association) under the direction of the CPV (Communist Party of Vietnam). The staff and budget of the FA is insufficient and do not work at all except for the intermediation of bank loans at the hamlet level. Officially the intermediation of bank loans is a secondary function of the FA. The FA's original functions are announcement of agricultural policies, dissemination of agricultural technology, and so on. But these functions are operated by the agricultural cooperative. Almost all the farmers who got bank loans whom I surveyed join the FA in order to borrow money from banks and do not pay their membership fees.

4. Groups on bank loans

VBP loans play a major role in financing for the villagers. Borrowers of VBP loans ought to join SCGs and are encouraged to save the money monthly for default. But, even in the hamlet which has a SCG, almost all the households who got VBP loans do not know that the real function of a SCG is joint liability for defaulting members. They also do not save money.

Recently Agribank's loans were brought through a group lending scheme. Also in these cases, joint liability doesn't function.

5. Conclusion

Groups in bank loans are just nominal and never have a joint-liability function. Besides, the FA does not work actively. But the loans have enjoyed a favorable performance and never have defaulted.

This is because intermediation and