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Transferability of East Asian Experience to Africa

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Feb. 2008

Topics

- East Asia--performance, policy mix and political regime
- Lessons for Africa--method, details, and core infrastructure

Flying geese

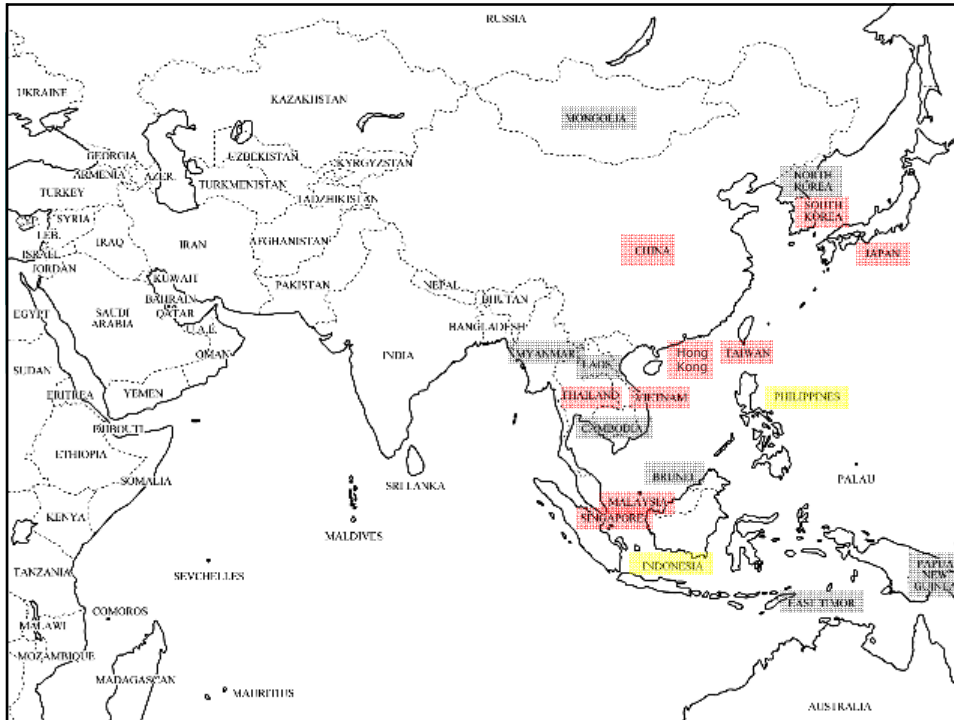
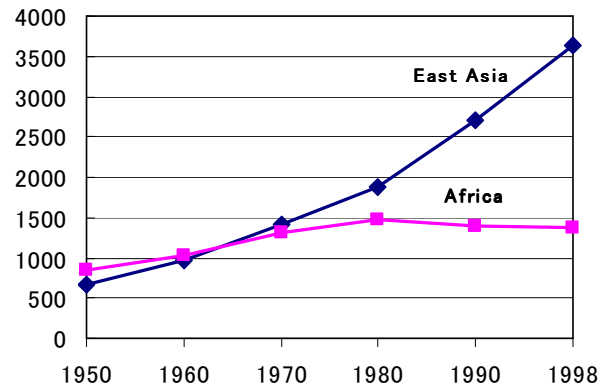


High Performance (on average)

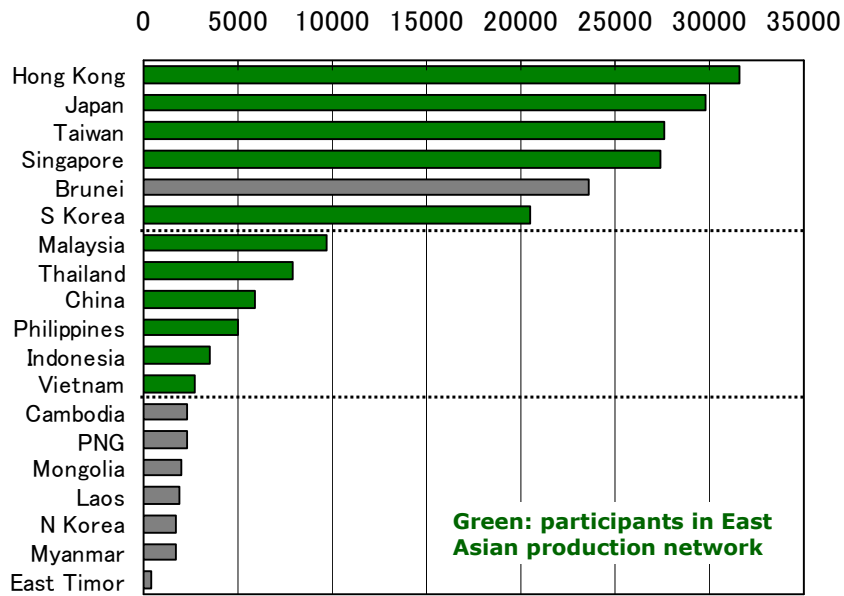
East Asia achieved high average growth in recent decades

Per Capita GDP
(Measured in 1990 international Geary-Khamis dollars)

Source: Angus Maddison,
The World Economy: A Millennium Perspective,
OECD Development Centre,
2001.

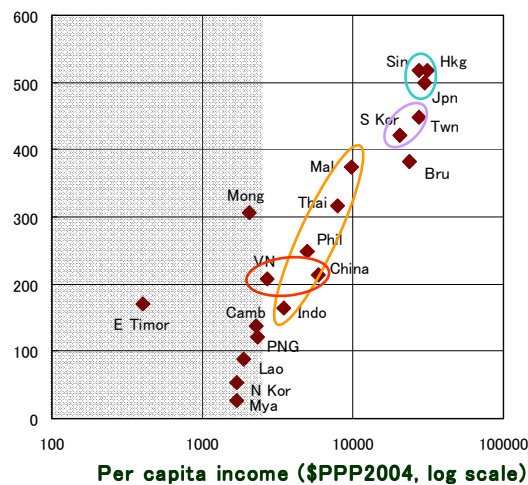


Per Capita GDP in 2004 (\$ PPP) World Bank data



Diversity in Political and Economic Development

Governance, WGI2005



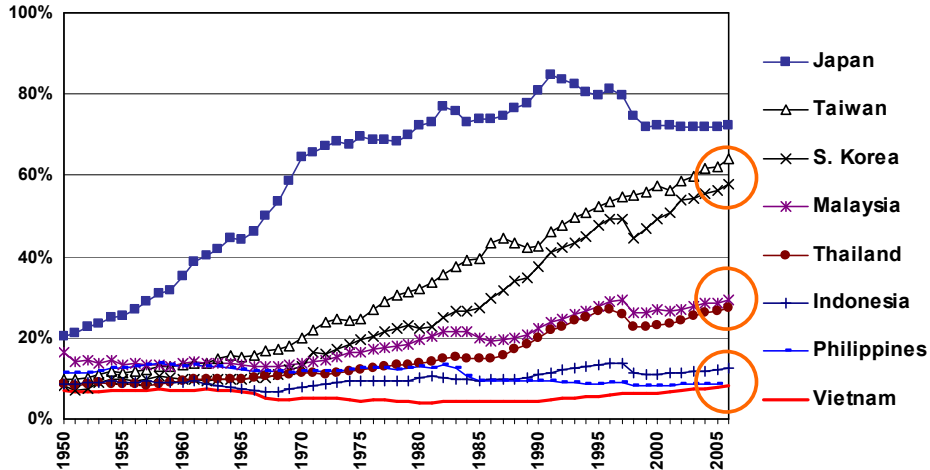
High correlation (0.90) but causality cannot be argued from this diagram

Only circled economies participate in regional dynamism

Sources: Compiled from World Bank, Worldwide Governance Indicators, Sep. 2006; and World Bank, *World Development Indicators*, 2006.

Different Speed of Catching Up

Per capita real income relative to US
(Measured by the 1990 international Geary-Khamis dollars)



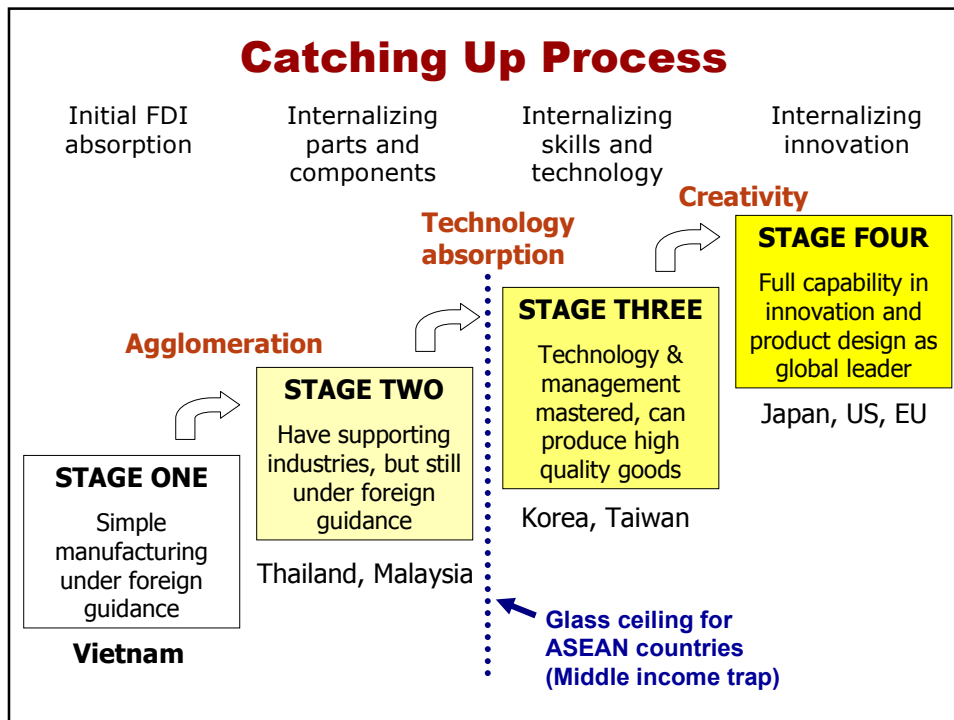
Sources: Angus Maddison, *The World Economy: A Millennium Perspective*, OECD Development Centre, 2001; the Central Bank of the Republic of China; and IMF *International Financial Statistics* (for updating 1998-2006).

Why Some Succeed Greatly While Others Succeed Less or Fail?

Middle income (\$1,000+) can be reached by opening up and receiving FDI, but attaining high income (\$10,000+) requires:

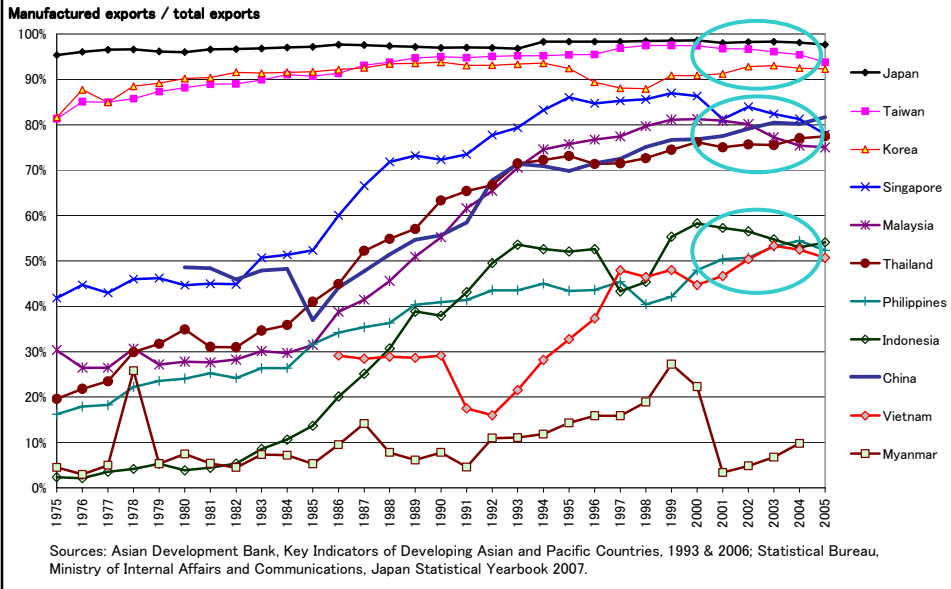
- Policy capability (esp. leadership quality)
- Local private sector dynamism

	Good policy	Not-so-good policy
Strong local businesses	Japan (past), Taiwan, Korea	(China)
Weak local businesses	Malaysia, Thailand	Indonesia, Philippines

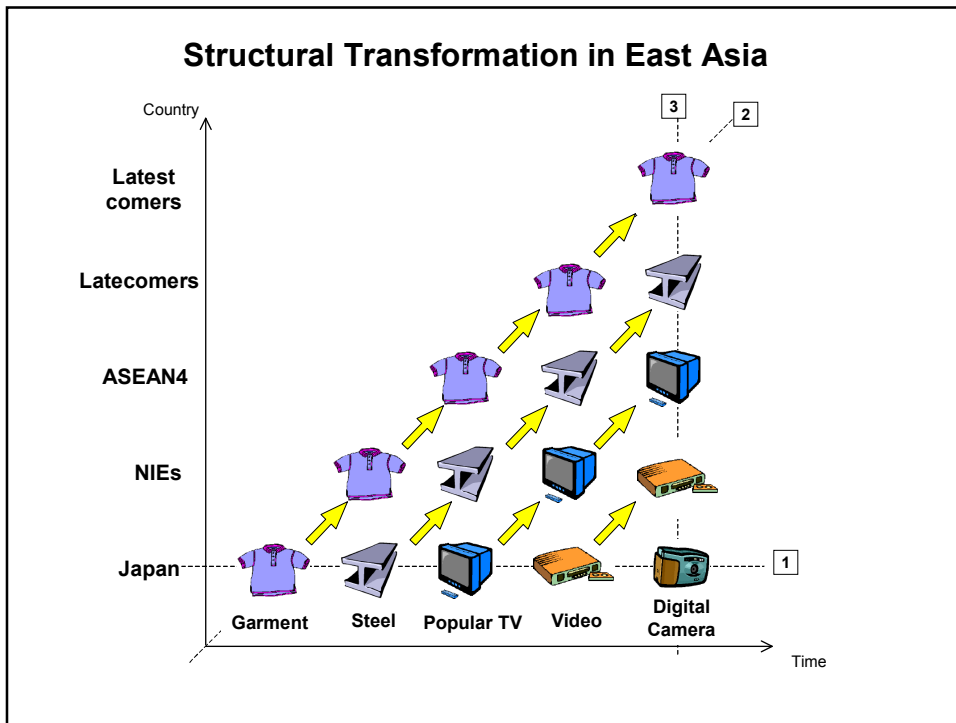


- ## East Asian Production Network
- The region is like a big factory where economies compete and cooperate
 - Growth starts by participating in this regional dynamism
 - The sandwich effect—pressure from above and below to work harder
 - FDI as relocater of industries
 - Clear but shifting order and structure (“flying geese”)

Manufactured Exports



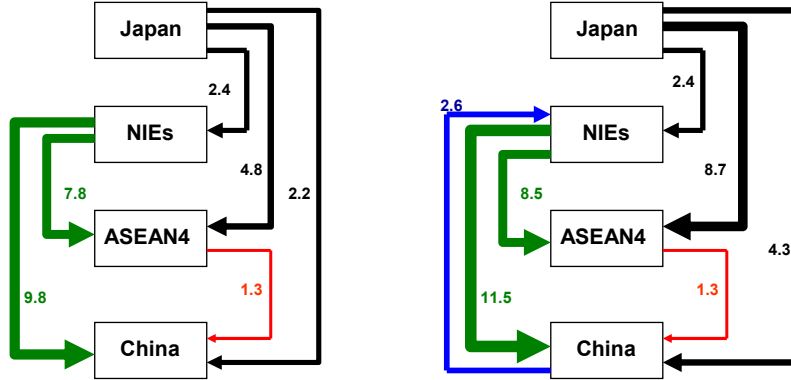
Structural Transformation in East Asia



Foreign Direct Investment Flows (Billions of USD / year)

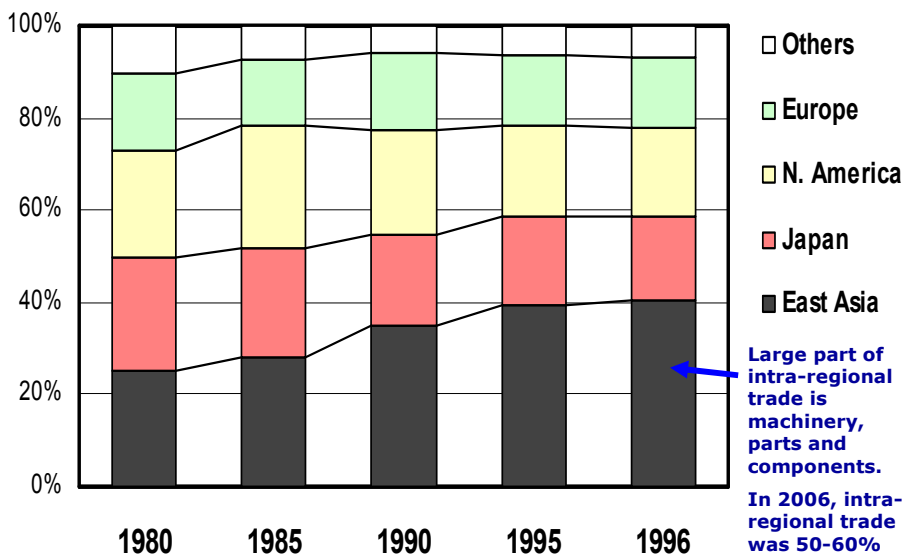
[1st Half of 1990s]

[2nd Half of 1990s]

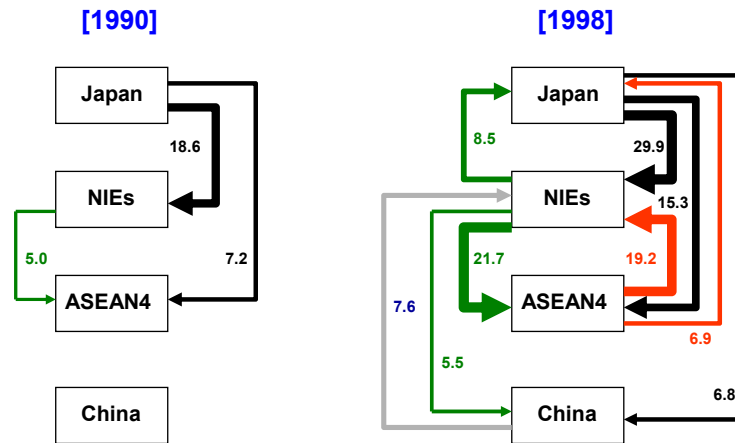


Source: Ministry of Economy, Trade and Industry, *White Paper on International Trade 2002*, p12.
Note: Flows less than \$1 billion are not shown. The "NIEs to China" flow excludes Hong Kong.

East Asia's Trading Partners



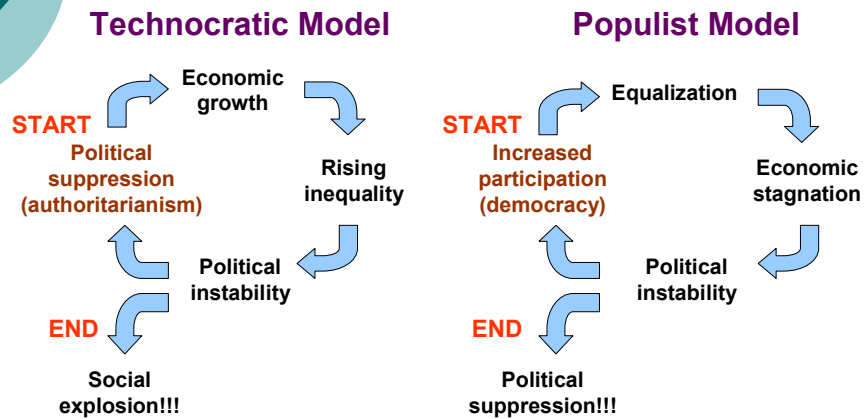
Trade in Machine Parts (Billions of USD / year)



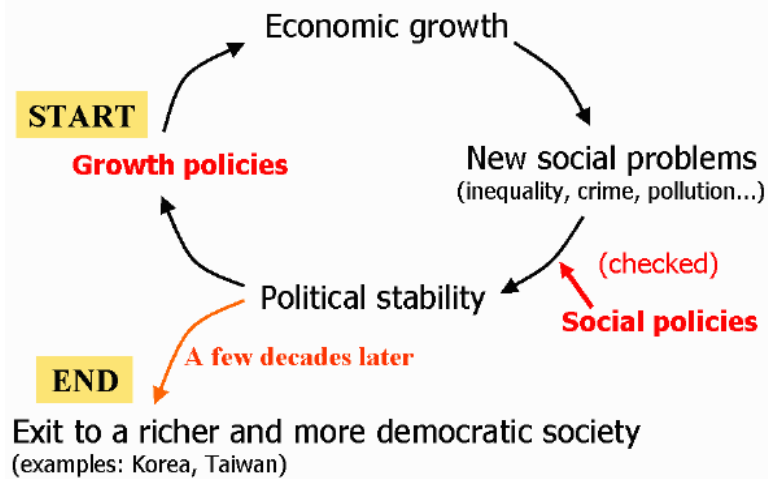
Source: Ministry of Economy, Trade and Industry, *White Paper on International Trade 2001*, p12.
Note: Flows less than \$5 billion are not shown.

Guaranteed Failure of Development?

Samuel P. Huntington and Joan M. Nelson, *No Easy Choice: Political Participation in Developing Countries*, Harvard Univ. Press, 1976.



East Asia's Policy Mix



Growth policies—vision, strategy, technology, HRD, infrastructure, SMEs, FDI, trade, finance, logistics, marketing, etc.

Social policies—inequality, pollution, traffic, housing, urbanization, internal migration, corruption, drugs, HIV/AIDS, etc.

--Rapid growth creates new problems which destabilize society.

--Unless both policies are implemented, development will fail (Murakami 1994).

--Success depends on these policies, rather than diligence or Confucianism

Cf. Not very successful--Indonesia, Philippines

Authoritarian Developmentalism

E. Asia chose *authoritarian developmentalism* (AD) for economic take-off.

Key ingredients of AD

- Powerful and economically literate top leader
- Development as a supreme national goal
- Technocrat group to support leader and execute policies
- Political legitimacy derived from growth performance (not necessarily free election)

The leader, as primary force of change, can create the other three conditions.

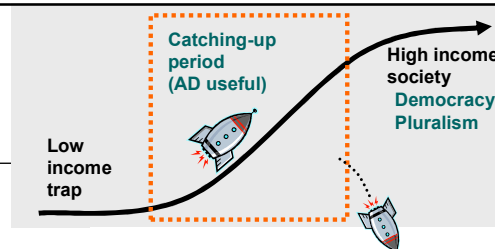
Authoritarian Developmentalism in East Asia													
	1945	50	55	60	65	70	75	80	85	90	95	2000	05
China		49					76				97		02
				Mao Zedong				Deng Xiaoping			Jiang Zemin	Hu Jintao	
South Korea		48		60 61			79 80	87		92	97		03
		Rhee Syngman		Park Chung-hee			Chun Doo-hwan	Noh Tae-woo		Kim Dae-jung	Roh Moo-hyun		
Taiwan		49				75 78				88	Kim Young-sam	04	
		Nationalist Party			Chiang Kai-shek		Chiang Ching-kuo		Lee Teng-hui		Chen Shui-bian		
Philippines	46	48	53	57	61	65		86		92	98		01
	Laurel Roxas	Magsaysay	Garcia				Marcos	Aquino	Ramos	Estrada	Arroyo		
Indonesia		49	55	59	65					90		98 99	01 04
			Skarno					Suharto			Wahid	Mega wati	04 Yudhoyono
Singapore			57			70	76	81					03 Lee Hsien Loong
			Labor Party	People's Action Party			Lee Kuan-yew				Goh Chok-tong		
Malaysia													Abdullah
			UMNO / Rahman		Razak	Hussein		Mahathir					
Thailand	46	48	57	58	63	73	75 76	77	80	88	91 92	97	01 06
		Phibun	Sarit	Thanom				Prem		Chuan	Chuan	Thaksin	Chulanont
Vietnam		51											
	Indochina Communist Party		Labor Party					Vietnamese Communist Party					
Laos							75			91	98		01 06
			Kingdom of Laos					Kayson Phom Vihane		Khamtai	Sisavath		
Cambodia	49	53	60				76	79		89	93		
	Protectorate	Independent Kingdom	Monarchy-Regency	Khmer Republic			People's Republic of Kampuchea				Kingdom of Cambodia		
Myanmar	48		62							88	State of Cambodia	97	
		U Nu	Burma Socialist Programme Party	Ne Win				SLORC			SPDC/Than Shwe		
North Korea	48		57	62								94	
		Kimu Tu - bong	Chai Yong-Kun				Kim II Sung					Kim Jon-il	

Notes: For China, the most influential leader among those holding highest positions is indicated. The Philippines' Marcos is classified as AD by Suehiro but not in this table. Sources: Akira Suehiro, *Catch-up Type Industrialization*, Nagoya University Press, 2000, p115. Updated and expanded by author using Wikipedia and other sources.

Why Power Concentration is Needed?

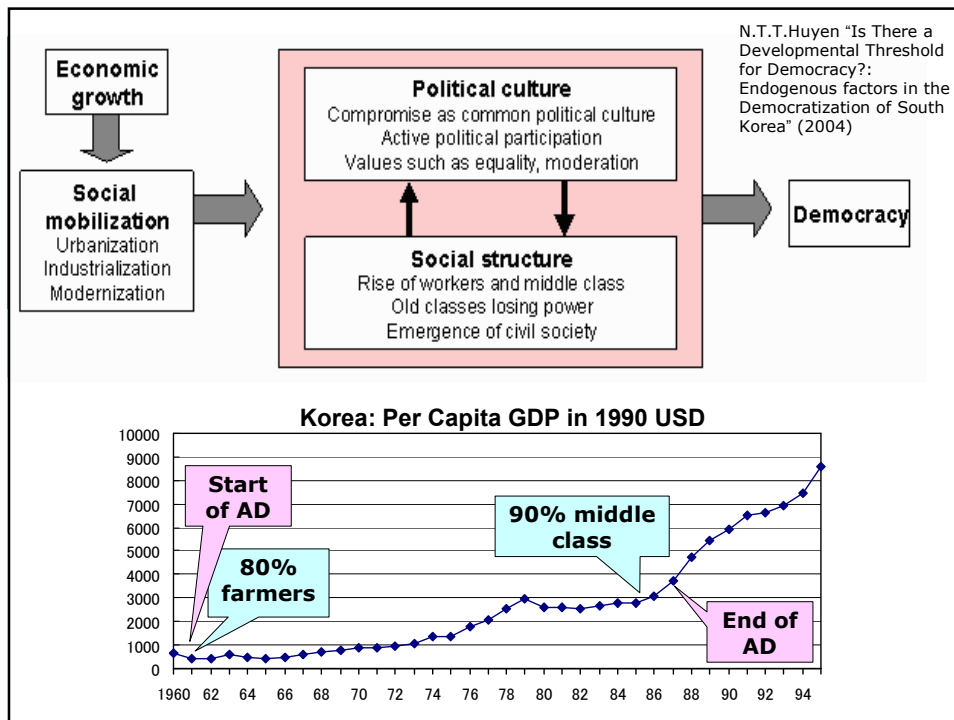
- Growth requires a critical mass of mutually consistent policies. A strong state is needed to mobilize resources quickly and flexibly.
- If broad participation is allowed, policies are too slow and can't achieve critical mass due to:
 - Power struggle, party politics, interest groups
 - Processes requiring patience and compromise, including parliamentary debate and consensus building
 - Some groups may refuse to cooperate with state purposes

Exit of AD



- AD is a temporary regime of convenience, needed only to push up the country to a higher level.
- Once a certain level is reached, AD becomes an obstacle to further development.
- Watanabe (1998) argues that successful AD melts away through social change and democratic aspiration.

“if development under authoritarian regime proceeds successfully, it will sow the seeds of its own dissolution”
[improved living standards and diversified social strata]



Democratic Developmentalism?

- In search of developmentalism without a dictator
- Countries that already have free election, functioning parliament, human rights—can they adopt developmental policies without throwing away their political achievements?
- Existing research on DD
 - Robinson and White eds (1998)
 - Ethiopian Prime Minister Meles Zenawi
 - "The Democratic Developmental State in Africa" (joint study by South Africa & Egypt, by Omano Edigheji et al.)

Lessons for Africa?

Methodology
Policy details
Core infrastructure

Wrong Lessons from East Asia

- **WRONG:** Mindless copy of a policy adopted by some E. Asian country in the past (cf. postal savings, heavy industry drive, Green Revolution, etc).
- **WRONG:** Strong government should direct private sector activities (In East Asia, private dynamism informed and led policy direction).
- **WRONG:** An authoritarian state is needed for economic take-off (reality is much more subtle and complex).

Three Valid Lessons from East Asia

- Methodology of industrial policy formulation
- Details of Eastern policies (models to be examined and adjusted for each country)
- Regional development around a core infrastructure
- ➔ Acquiring ideas and tools for policy making; Content must be decided by each country.

Development and Aid Strategy

There is a clear difference in developmental orientation between Eastern practitioners and Western aid community.

	East Asia's Way	Western Donors
Goal	Economic prosperity and national pride	Poverty reduction (MDGs)
Policies	Investment, trade, skills, technology	Health, education, governance
Key actors	Central government and businesses	Local communities and poor people



Eastern Development Thinking (Tendencies)

- Field-based concrete actions in industrial and agricultural sectors
- Development as a holistic social process, not short-term technical problems (importance of leadership, social context, broad scope, gradualism, political consideration, etc.)
- No ready-made advice for all countries; solution must be discovered locally

Eastern way is more difficult to understand for outsiders due to:

- Emphasis on local diversity
- Doing rather than talking/writing
- Language barrier



JICA-JBIC Report in Progress

“Strategy for Sustained Growth Acceleration in Africa: A View from Asian Experiences” (coming soon in 2008)

- Africa needs more policy space to discover and help develop growth-leading industries.
- Establish “Industrialization Strategy” as a process, not just a document.
- Support measures should match the institutional capacity of each country.



JICA-JBIC Report (cont.)

- Identify long-term vision, desirable economic structure, and the country's positioning in global value chain.
- Through public-private dialogue, discover growth-leading industries for future.
- Identify their constraints (infrastructure, HRD, etc).
- Devise measures to remove constraints and promote targeted industries.
- Measures must be consistent with the country's institutional capability and executed under discipline and competition.



A Proposal for Japan's New Aid in Africa (Not Official Yet)

By JICA-JBIC Report, MOFA Wise Men Committee on ODA, Multi-stakeholder ODA Manifesto, GRIPS Development Forum

- Japan should concentrate additional aid to Africa on a few countries with:
 - Strong political will (top leader)
 - Social stability
 - Minimum administrative mechanism
- Policy dialogue for formulating concrete national/regional growth strategy
- Mobilize available aid tools to implement agreed strategy
- Involve private sector and other donors



Example: The Case of Zambia

- JICA is conducting the “Triangle of Hope” Project (improving investment climate) mobilizing a Malaysian consultant under new methodology (2006-09).
- As a next step, Zambia requests Japan to help formulate a long-term industrial strategy.
- Japanese Embassy, JICA and myself submitted a concept paper on steps toward “Zambia Industrialization Strategy.” (Dec.2007)



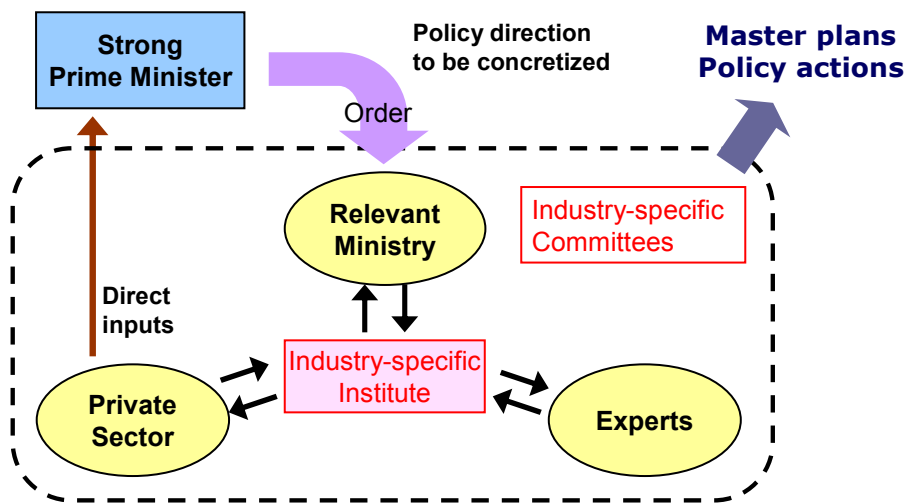
Suggested Steps (for Zambia)

- Preparation – forming a strong super-secretariat under President
 - First stage (1 year) – manufacturing sector surveys, studying East Asian experiences, receiving experts, seminars, website, produce Basic Issues Report
 - Second stage (2 years) – drafting of Industrialization Strategy with JICA support
- Top leader’s strong commitment is critical
--Mainstreaming of this project among donors and in Tokyo

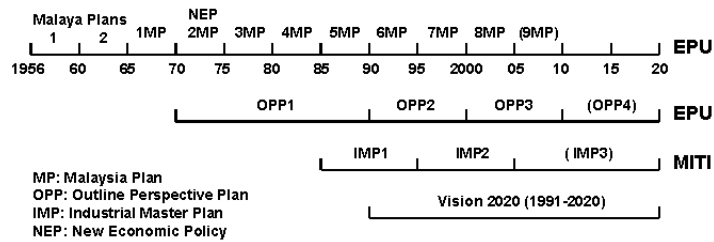
Learning Policy Details from East Asia

- East Asia has rich experiences in industrial measures. Africa should learn them *in detail* for formulating their own.
- Examples:
 - Drafting industrial master plans
 - SME promotion
 - Development of industrial HR
 - Strategic FDI marketing
 - Managing industrial estatesAnd many others...

Central Coordination Model: Thailand under Thaksin Government 2001-06

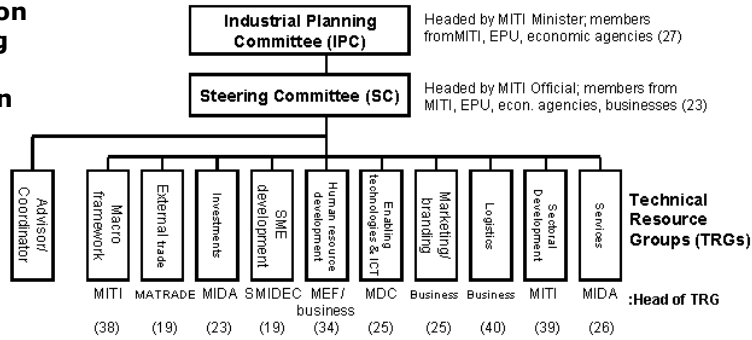


Multi-layered Model



Malaysia

Organization for drafting Industrial Master Plan



Source: MITI website.

Note: Numbers in parentheses indicate the number of members in each committee or group.

Vietnam: Successful Technical and Vocational Training Centers

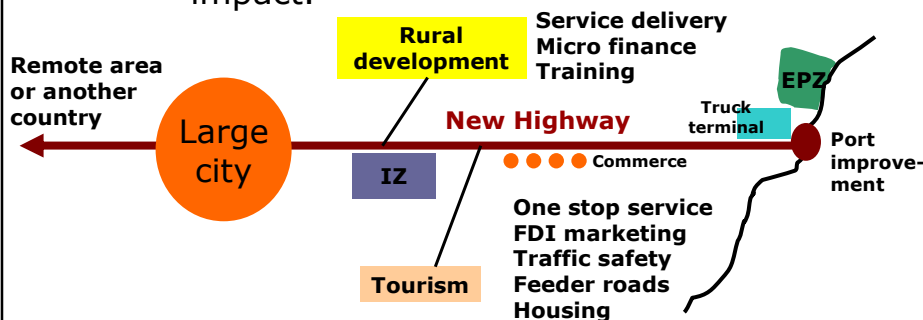
	Period	Location	Foreign partner	Budget size	No. of students	Courses
Cao Thang Technical College	1905-	HCMC	No	Self finance	7,500 in 2006 (plus 7,000 in short prog.)	30 industrial majors with clear career orientation and practical workshops
Vietnam-Germany Center at HCMC University of Tech. Education	1993-2000	HCMC	Germany	7 mil USD	400 per year	Standardized programs to train teachers in electrical-electronics and mechanics, with modern equipment
Vietnam-Singapore Tech. Training Center	1997-2005	Binh Duong	Singapore	5 mil USD	500 (in 2002)	Electrical-electronics, mechanics, mechatronics, customized courses; in cooperation with VSIP
Vietnam-Japan Technical Center at Hanoi Industry University	2000-2005	Hanoi	Japan	6 mil USD	720 per year (plus 1,300 in short courses in 5 years)	Machining, metal processing, electrical control; using modern equipment and teaching good attitude
Vietnam Japan Cooperation Center	2000-2010	Hanoi, HCMC	Japan	n.a.	2,000 in 6 years	Business administration and strategy, production management, etc. for top and middle managers

Malaysia's SME Promotion (SMIDEC)

- Grants available for improving planning, products, processes, productivity, certification, marketing, packaging, design; loans available for factory relocation, ICT.
- Application processed within 14 working days; disbursement within 20 working days.
- Enterprise efforts are monitored.
- Industrial Linkage Program (ILP)--database of 18,000 companies and business matching services between FDI and locals.
- National SME Development Council headed by PM meets regularly to adjust policies.

Development around Core Infrastructure

- Large infrastructure such as roads, ports and power has broad effects.
- Policies and aid should be organized around core infrastructure for maximum impact.



Indochina's Economic Corridors

Strongly promoted by the Asian Development Bank

Even at local level (Northern Vietnam), impact of large roads (HWY 5 & 18) is highly visible on industrialization and FDI attraction.



References

Ohno, Kenichi, and Izumi Ohno, eds (1998), *Japanese Views on Economic Development: Diverse Paths to the Market*, Routledge.

Ohno, Kenichi, ed (2006), *Industrial Policy Formulation in Thailand, Malaysia and Japan: Lessons for Vietnamese Policy Makers*, Vietnam Development Forum, Publishing House of Social Labour, Hanoi.

GRIPS Development Forum (2008), *Diversity and Complementarity in Development Aid: East Asian Lessons for African Growth*, GRIPS Development Forum Report (published at end Feb).