

Industrial Policy Dialogue in Ethiopia

Transferring Mindset and Methods from East Asia



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Studies in Industrial Policy: Typology

Type 1 - Ideological and/or theoretical debate over desirability and feasibility of industrial policy: Washington Consensus vs. J.Stiglitz, D.Rodrik, H.J.Chang, Justin Lin, G.Dosi...

Type 2 – Narration of concrete but isolated policy experiences in particular sectors and/or countries: Japan, Korea, China, Singapore, Malaysia...

Type 3 – Systematic collection and comparison of past and present best policy practices, using them as references for building policy making capability in each country.

Wanting to Learn Good Practice

(Instead of debating theories forever)

- ❑ East Asia generally accepts government's role in industrialization and widely practices industrial policy. Rich experiences, and no allergy.
- ❑ In Africa—Ethiopia, Zambia, Rwanda, Botswana, Ghana, Uganda, Tanzania, Egypt, Tunisia, Namibia, African Union, East African Community... are some of the countries/organizations interested in or already practicing industrial policy.
- ❑ Ethiopian senior economic advisor: “We want action-oriented advice, not academic theories.”
- ❑ Vietnamese officials & economists: “WB chief economist's proposals are too simple and mechanical. We want more concrete suggestions.”

More Thoughts on Industrial Policy

- ❑ Validity of industrial policy argument depends on actual successes on the ground.
- ❑ For industrial policy “converts,” pragmatic and detailed guidance is needed, not theoretical justification of industrial policy.
- ❑ “How” (design & implementation) is more difficult than “what” (knowing desirable policies).
- ❑ Japan, Asian Tigers, ASEAN, China industrialized through self-study, learning from neighbors, and trial-and-error.
- ❑ Today’s latecomers face random and fragmented advice. They either adopt foreign models too easily without deep thinking, or reject them because “our country is unique.”

Systematic Instruction on Industrial Policy Making is Needed

Featuring:

- Strong country ownership
- A policy package tailored to each country
- Policy learning and gradual expansion of policy space
- A broad policy menu to choose from, based on analysis of best international policy practices
- Policy dialogue with advanced country experts (individual coaching & tutoring at initial stage)

Ethiopia: “Please show us how East Asian countries draft industrial master plans and action plans.”

Learning from East Asia

- ❑ It is NOT copying some specific policies adopted in some East Asian country to Africa.
- ❑ Learning *mindset* and *methodology* of designing and implementing industrial strategies.
- ❑ There is a standard industrial policy menu, but selectivity and adjustment are needed to adapt to unique conditions of each country.
- ❑ The Eastern approach should be complementary to the Western approach – benchmarking, SWOT, PSD, business climate, good governance, policy frameworks, democracy...

Features of Japanese Approach to Development Cooperation

Pragmatism and concern with specific industries:

- ❑ **Target orientation**—striving for concrete vision, targets, roadmaps, and actions instead of general capability improvements.
- ❑ **Field (*gemba*) orientation**—working on factory floor or crop field to solve concrete problems.
- ❑ **Joint work**—transferring skills and knowledge to developing countries by working together (OJT); use national mechanisms, avoid creating parallel mechanisms.
- ❑ **Dynamic capacity development**—policy learning, and expectation of graduation from aid.

Entry Points for Japan's Industrial Cooperation in Africa (or Anywhere)

Japan, a small investor and donor in Africa, but with East Asian experience, can offer the following:

1. For a country with reasonable visions and plans, **standard policy tools** (training, QC, *kaizen*, SME promotion, master plan, etc.) can be provided.
2. **Policy dialogue** for strengthening visions and strategies, learning the East Asian way, etc.
3. **Comprehensive regional development** with core infrastructure coupled with HRD, regional planning, industrial projects, rural development, etc. (Thai Eastern Seaboard, Brantas River Basin, Indian Industrial Corridor, Nacala Corridor, etc.)
4. Creating **enabling environment for Japanese FDI** under the principle of open access and non-exclusivity.

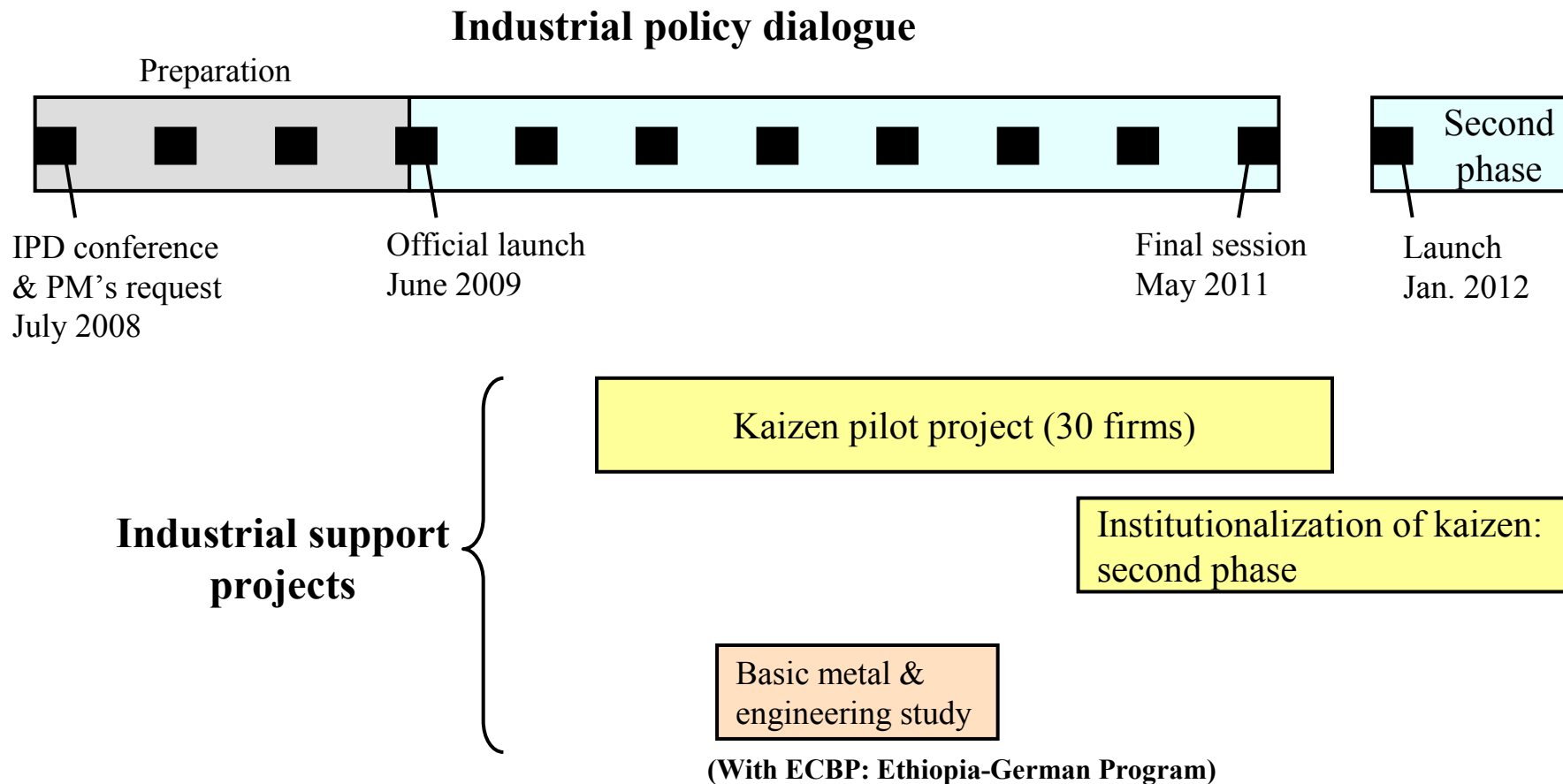
Japan's Policy Dialogue with Developing Countries (Selective List)

Country	Period	Head/key players	Purpose and content
Argentina	1985-1987 1994-1996 (follow up)	Saburo Okita (former foreign minister)	Comprehensive study on agriculture and livestock farming, industry, transport and export promotion
Thailand	1999	Shiro Mizutani (former MITI official)	Study on the master plan for SME promotion policy
Vietnam	1995-2001	Shigeru Ishikawa (professor)	Large-scale joint study on macroeconomy, industry, agriculture, enterprise reform, crisis management, etc.
Vietnam	2003-current	Japanese embassy, JICA, JETRO, JBIC	Bilateral joint initiative to improve business environment and strengthen competitiveness through 2-year cycle of action plans
Indonesia	2000	Shujiro Urata (professor)	Policy recommendation for SME promotion
Indonesia	2002-2004	Takashi Shiraishi and Shinji Asanuma (professors)	Policy support for macroeconomic management, financial sector reform, SME promotion, private investment promotion, democratization, decentralization and human resource development
Laos	2000-2005	Yonosuke Hara (professor)	Study on macroeconomy, finance, state enterprise, FDI and poverty reduction, etc.
Myanmar	1999-2002	Konosuke Odaka (professor)	Study on agriculture, rural development, industry, trade, finance, ITC, etc.
Mongolia	1998-2001	Hiroshi Ueno and Hideo Hashimoto (World Bank economists and professors)	Study on the support for economic transition and development
Vietnam	2008-2010	Japanese embassy, JICA, JETRO, businesses, GRIPS/VDF	Produce supporting industry development action plan for joint implementation
Ethiopia	2009-	GRIPS Development Forum and JICA	Kaizen, basic metals & engineering, productivity movement, policy procedure & organization, export promotion, etc.
Vietnam	2011-	Japanese embassy, JICA, JETRO, METI, GRIPS/VDF	Select and intensively promote a small number of industrial sectors; draft and implement detailed action plans

Bilateral Policy Dialogue between Ethiopia and Japan

- **May 2008:** 4th Tokyo International Conference on African Development (TICAD IV): Japan's commitment to increase cooperation in Africa.
- **July 2008:** PM Meles' request for two-part cooperation: (i) *kaizen* (factory improvement) by JICA; and (ii) policy dialogue with GRIPS. Actually, two components are implemented jointly by GRIPS and JICA.
- **July 2008-:** Preparation (2 sessions)
- **Jun. 2009-May 2011:** Eight quarterly sessions of industrial policy dialogue were conducted.
- **Jan. 2012-:** 2nd phase of policy dialogue & kaizen; first topic is strategic export promotion (later, technology transfer through FDI & ODA?)

GRIPS-JICA Industrial Policy Dialogue and Industrial Support Projects, 2009-



Note: Black squares indicate policy dialogue sessions in Addis Ababa with the prime minister, concerned ministers and state ministers, and officials and experts at operational levels. IPD stands for the Initiative for Policy Dialogue, policy oriented meetings on various topics hosted by J. Stiglitz of Columbia University. ECBP stands for the Engineering Capacity Building Program, a large-scale program run jointly by Ethiopia and Germany.

Purposes of Policy Dialogue with Ethiopia

- ❑ Transferring *mindset* and *methodology* of East Asian policy making through working on concrete issues and projects.
- ❑ Establishing linkage between policy dialogue and Japan's industrial projects in Ethiopia.
- ❑ Cooperation and networking with other projects, donors, and academic institutions (Germany, WB, UK, UNIDO, Italy, Korea, AA University...)
- ❑ Creating pilot projects (models) which should be scaled up by Ethiopian effort.
- ❑ Promoting industrial policy dialogue in the rest of Africa.
- ❑ Providing policy information package upon PM's request (Japanese TVET system, *kaizen*, metal & chemical industry, productivity movements, etc).

Participants of Industrial Policy Dialogue

Ethiopian side (3 levels)

- Prime Minister Meles Zenawi
- High-level policy makers headed by Mr. Newai (Senior Economic Advisor to PM), Mr. Mekonnen (Industry Minister), Mr. Tadesse (Industry State Minister), attended by state ministers from other ministries
- Operational levels

Japanese side

- GRIPS researchers
- JICA officials and experts
- Other experts from JETRO, universities (as needed)

Supported by Japanese Embassy in Addis Ababa

Note: In Phase 1, the Japanese team visited Ethiopia every three months for policy dialogue. Japanese experts and project teams visited additionally. Ethiopian visits to Japan and other countries were also organized. Ethiopian PhD students are being trained at GRIPS. In Phase 2, policy dialogue sessions are held every six months with more preparations.

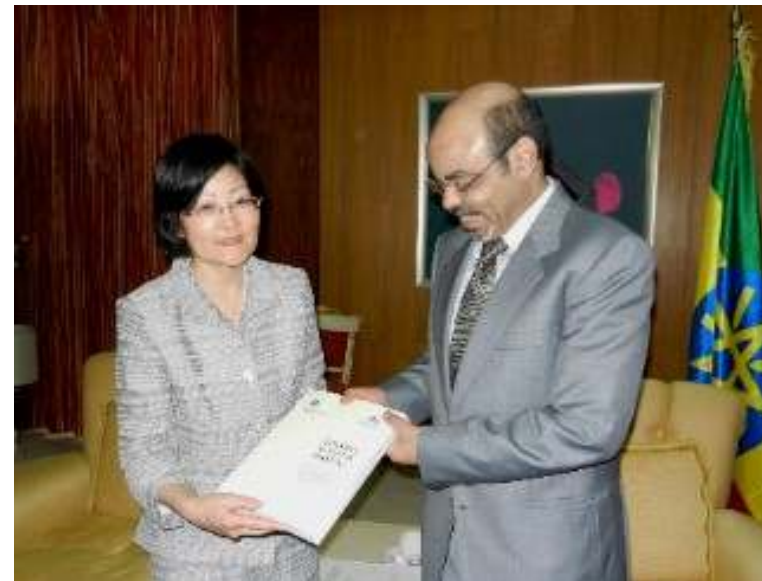


At the Prime Minister's Office

Meeting with Senior Economic Advisor to PM



Presenting JICA's Kaizen Report to PM





High Level Forum (minister & state minister level)



Meeting with Industry Minister



At the Ministry of Finance,
Economy and Development

Main Topics of Industrial Policy Dialogue

- ❑ Democratic Developmentalism (DD) and Agricultural Development Led Industrialization (ADLI), two critical concepts, with PM.
- ❑ Policy formulation & document structure from East Asian experiences and perspective.
- ❑ Advice on the next five-year plan (Growth and Transformation Plan).
- ❑ Concept, practice and institutionalization of *kaizen*—global practice and Ethiopian application.
- ❑ Basic metal & engineering industries—conducting local survey and review of global experiences.
- ❑ Strategic & customer-oriented export promotion for creating champion products to enter Japanese market (GRIPS-JICA-JETRO).

Candid Comments from Japanese Experts and Officials

- ❑ Ethiopia's strong policy ownership, clear vision and eagerness to learn are highly admirable.
- ❑ Bold policy vision must be backed by effective implementation at operational levels. Capabilities of ministries and agencies are still weak.
- ❑ Coordination mechanisms among different ministries must be set up without relying on one powerful leader (cf. alternative E. Asian models).
- ❑ Development planning, MSE policy, and kaizen institutionalization must be greatly enhanced as the focal points of industrial policy learning.
- ❑ Quality over speed: policy is made too hastily without sufficient interaction with stakeholders.

Issues Discussed at High Level Forums (Phase 1)

	Presentations by Japanese side	Presentations by Ethiopian side
1st HLF (Jun. 2009)	<ul style="list-style-type: none"> (1) "JICA's plan to policy dialogue and development study" (Masafumi Kuroki) (2) "ADLI and future directions for industrial development" (Kenichi Ohno) 	<ul style="list-style-type: none"> (1) "Evaluation of current PASDEP focusing on industrial development and related sectors" (HE Tadesse Haile)
2nd HLF (Sep. 2009)	<ul style="list-style-type: none"> (1) "Cross-cutting issues on industrialization and policy menu under the age of globalization: examples from East Asia" (Kenichi Ohno) (2) "Organizational arrangements for industrial policy formulation and implementation: examples from East Asia" (Izumi Ohno) (3) "Planning and decision-making process for SME policies in Japan" (Go Shimada) 	<ul style="list-style-type: none"> (1) "Comments and feedback by the Policy Dialogue Steering Committee on the presentations by GRIPS and JICA" (HE Tadesse Haile)
3rd HLF (Nov. 2009)	<ul style="list-style-type: none"> (1) "Designing industrial master plans: international comparison of content and structure" (Kenichi Ohno) (2) "Industrial policy direction of Ethiopia: suggestions for PASDEP II and the next five years" (Izumi Ohno) 	<ul style="list-style-type: none"> (1) "Concept for the industrial chapter of PASDEP II and the formulation plan" (HE Tadesse Haile)
4th HLF (Mar. 2010)	<ul style="list-style-type: none"> (1) "Basic metals and engineering industries: international comparison of policy framework and Ethiopia's approach" (Toru Homma) 	<ul style="list-style-type: none"> (1) "Draft plan of industry sector for PASDEP II" (HE Tadesse Haile) (2) "Overview, contents of PASDEP II draft of chemical subsector" (Shimelis Wolde)

<p>5th HLF (Jul. 2010)</p>	<p>(1) “Result of basic metal and engineering industries firm-level study – parts conducted by MPDC and JICA” (Toru Homma)</p>	<p>(1) “Report of kaizen training for capacity building of Kaizen Unit and pilot project companies in Osaka, Japan” (Tola Beyene) (2) “Report of kaizen training for capacity building of Kaizen Unit and pilot project companies in Chubu, Japan” (Bekele Mekuria) (3) “Current status of kaizen project and institutionalization of kaizen” (Getahun Tadesse)</p>
<p>6th HLF (Oct. 2009)</p>	<p>(1) “Singapore’s experience with productivity development: internalization, scaling-up, and international cooperation” (Izumi Ohno)</p>	<p>(1) “Contents of industry sector in Growth and Transformation Plan” (HE Tadesse Haile) (2) “Singapore’s productivity movement and lessons learned” (Daniel Kitaw)</p>
<p>7th HLF (Jan. 2011)</p>	<p>(1) “The making of high priority development strategies: international comparison of policy procedure and organization” (Kenichi Ohno)</p>	<p>(1) “Organizational structure of Ministry of Industry and linkage with other ministries” (Ahmed Nuru)</p>
<p>8th HLF (May 2011)</p>	<p>(1) “Ethiopia’s industrialization drive under the Growth and Transformation Plan” (Kenichi Ohno) (2) “Achievements in the Quality and Productivity Improvement (Kaizen) Project” (Go Shimada) (3) “Overview of national movement for quality and productivity improvement: experiences of selected countries in Asia and Africa” (Izumi Ohno) (4) “Taiwan: policy drive for innovation” (Kenichi Ohno)</p>	<p>(1) “MSE development strategy of Ethiopia” (Gabremeskel Challa) (2) “Kaizen dissemination plan and institutionalization plan” (Getahun Tadesse) (3) “Botswana’s productivity movement and its Implication to Ethiopia” (Daniel Kitaw)</p>

Documents and Reports Produced for Policy Dialogue, and Related Works

JICA & GRIPS, *Study on Industrial Policy Dialogue in the FDRE: Final Report*, Dec.2011.

JICA & GRIPS, *Handbook of National Movements for Quality and Productivity Improvement (Kaizen)*, Dec.2011.

GRIPS Development Forum, ed, *Introducing Kaizen in Africa*, Oct.2009.

Ohno, K., *Learning to Industrialize: From Given Growth to Policy-aided Value Creation* (Routledge, forthcoming).

Ohno, I. & K. Ohno, "Dynamic Capacity Development: What Africa Can Learn from Industrial Policy Formulation in East Asia," ch.7, Noman, Botchwey, Stein & Stiglitz, eds (2012).

Comparative research on industrial policy making in Singapore, Korea, and Taiwan (2010-2011).

"Backgrounds, Policy Measures and Outcomes for Development of Supporting Industries in ASEAN: Malaysia and Thailand in comparison with Vietnam" (JICA, Feb.2010).