

Preliminary Assessment

K. Ohno (GRIPS), October 2019

	Washington Consensus	PM Meles	Homegrown Economic Reform Agenda
Macro economic stability	Top priority: bold budget cuts, tight money, flexible exchange rate as preconditions for reform and growth (IMF)	Coping with crises as they arise (inflation, fuel & sugar shortage, F/X allocation, etc.)	Concern indicated but effective and concrete enough? F/X, finance, inflation, debt sustainability, etc. (5 slides)
General improvements on business conditions	Big-bang liberalization: Liberalize, privatize, integrate, good and level investment climate asap	Maintaining tight controls (banking, telecom, SOEs, etc.); no long-term liberalization plan shown	Will to SOE reforms, better infrastructure services expressed, with WB support (WB EDB ranking also targeted) (1 slide)
Selective industrial concern & promotion	Undesirable; don't do it Government is unwise & policies are captured by interests (Anne Krueger)	Strong state guidance & support on priority sectors; learning how to do this from East (incl. Kaizen)	Listed but details unknown; still general--agriculture, manufacturing, mining, tourism, ICT (1 slide each)
Remark	Traditional IMF & WB and most Westerners; criticized for damaging real economy in Africa, L. America, Former USSR, Asian crisis countries	Despite serious policy learning, targeted manufacturing sectors remained weak and visible transformation did not occur	Weights and depths of 3 pillars unknown; General and Selective should both be pursued strongly and in balance (Framework or Ingredients approach?)

Izumi Ohno & Kenichi Ohno (1998). **Japanese Views on Economic Development: Diverse Paths to the Market**. London: Routledge (paperback edition 2015; e-book also available).

Included in this volume are:

Toru Yanagihara: ch.4, “Development and dynamic efficiency: framework approach versus ingredients approach” – the framework approach presumes that liberalization, privatization and integration are enough to start strong growth, while the ingredients (Japanese) approach is concerned with real sector competitiveness and promotion of selected individual sectors as top priority, with framework as important but secondary priority.

Shigeru Ishikawa: ch.6, “Underdevelopment of the market economy and the limits of economic liberalization” – in latecomer developing countries, industrialization does not occur spontaneously or strongly due to internal weaknesses of markets and private agents; removal of external impediments is not sufficient. Chinese experiences in the 1980s are cited. He also applied this theory to policy dialogues with China and Vietnam.