

Network-based Development Cooperation as a Way Forward for Japan



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Objective of Today's Presentation

- Analyze the new landscape surrounding Japanese development cooperation, from two perspectives:
 - ▶ Partnership with the private sector (esp. business)
 - ▶ Partnership with Asian emerging donors
- Propose **“co-creative”** partnerships, through **“network-based”** development cooperation, as a central pillar of Japanese DC:
 - ▶ Engaging various stakeholders in developmental partnerships
 - ▶ Mobilizing human & knowledge assets fostered in the past decades of Japanese ODA

1. Partnership with the Private Sector

- Japanese aid has been consistent since the 1950s: transformative (growth) agenda.
 - ▶ Two pillars: infrastructure & human resources
- FDI, trade & ODA linkage (Cf. Japan ODA Model: METI)
- Unlike many Western donors, the recent growth resurgence is NOT new to Japan.
- **What's new in the SDG era?**
 - ▶ Deeper involvement of business in solving global & local development challenges – Creating Shared Value (CSV) approach
 - ▶ Requiring closer networks with local people & institutions
- **The domestic context (for J)** and development challenges (for partner countries) are also changing.

SDG Era: Enhanced Role of Business in Development

● Trickle Down Theory
(Emphasis on large-scale infrastructure, economic growth)

● Structural Adjustment Program
(Small government, liberalization & privatization)



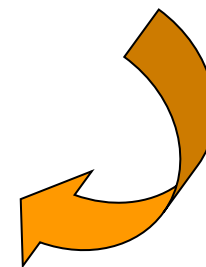
● Human Development (Adjustment with Human Face)
● Sustainable Development, Environment & Social Consideration

● Poverty Reduction
(Global partnership around MDGs)



● New Partnership btw. Business and Development
(Addressing development challenges via core business, e.g., Inclusive business, BOP business.)

- Economic vs. Social Development
- Wealth Creation, as Primary Role of Private Sector




CSV: Creating Shared Value

Domestic Context

- ❑ Since around 2010, MOFA and JICA (not just METI) have become active in promoting partnerships with Japanese business.
 - ▶ Shrinking domestic market, collapse of J-style *keiretsu* system, etc.
- ❑ Increased attention to the role of business in solving development challenges, by mobilizing their technologies & innovation power.
 - ▶ Inclusive/BOP business, outward FDI by Japanese SMEs, etc.
- ❑ New ODA modalities have been introduced.
 - ▶ Fact-finding surveys, pilot & dissemination of technologies, support to J. SMEs, JICA-local govt. collaboration, etc.
- ❑ *Abenomics* (Dec. 2013-), accelerating this trend.
 - ▶ New Revitalization Strategy; allocating additional budget

Evolution of Japanese Outward Manufacturing FDI

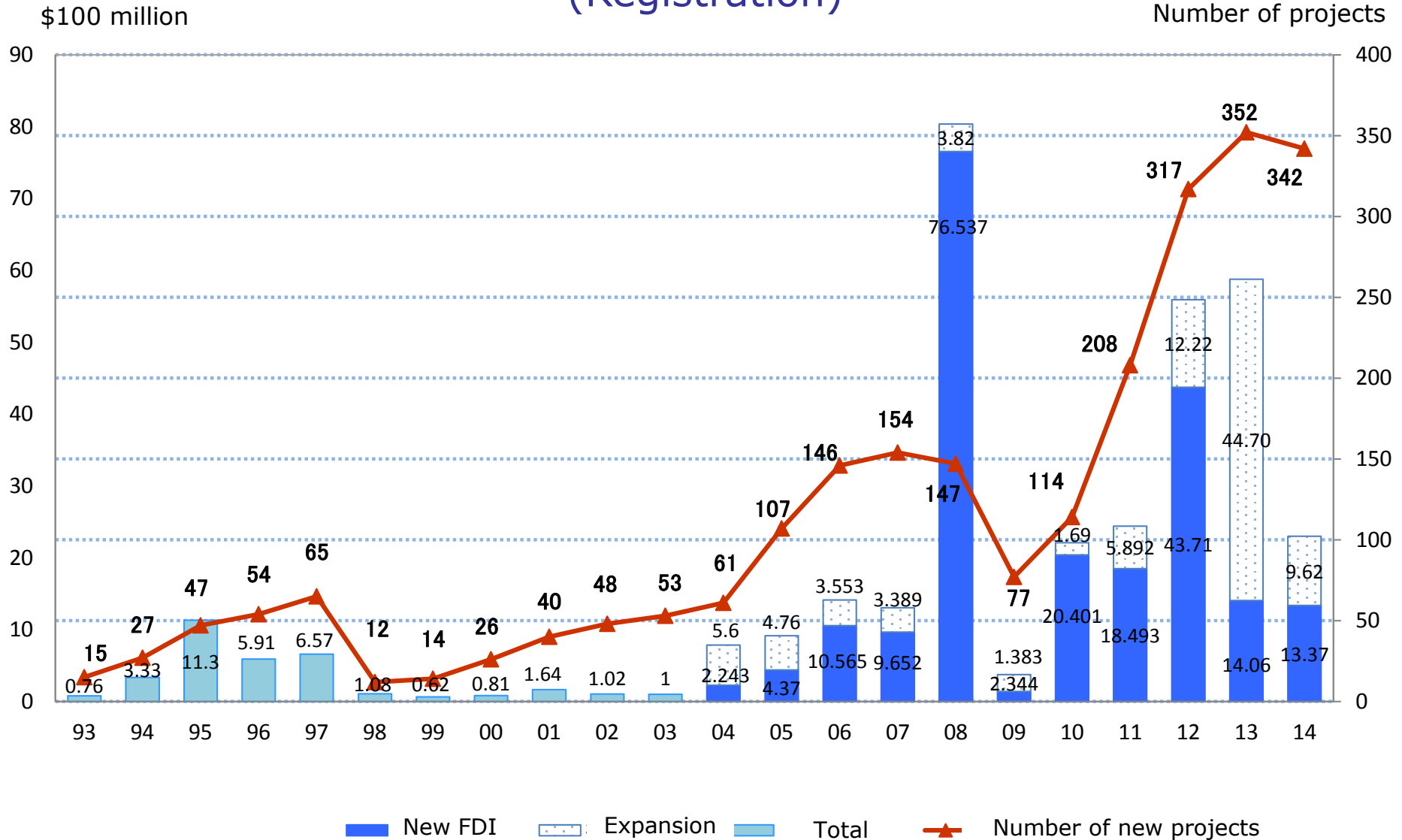
- **1970s to mid-80s**: Rapid increase in FDI to North America & Europe, Asian NIEs (Trade friction with the West, avoiding tariff & non-tariff barriers imposed on exports. EPZ/SEZs by Asian NIEs)
- **Latter half of 1980s**: Gradual shift from NIEs to ASEAN (Transfer of labor-intensive production processes to Southeast Asia, as a result of the Plaza Accord. Low wage advantage)
- **1990s-early 2000s**: Rapid increase in FDI to China (Expansion into Chinese market, with economic reforms & global integration)
- **After 2010**: FDI to ASEAN, growing interest in India & Myanmar, overseas expansion of SMEs independently of big business (Asia becoming a center of global production & sales China+1, Thailand+1)



New wave of
Globalization

FDI from Japan to Vietnam

(Registration)



Source: Foreign Investment Agency/Ministry of Planning and Investment, Vietnam.

Creating New, Dynamic Links & Networks

From **“Small Factory in Japan”** to **“Global Firm”**

Reliance on final assemblers & various partner factories

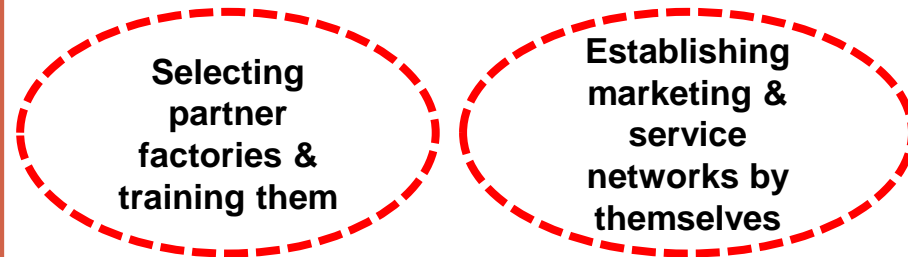
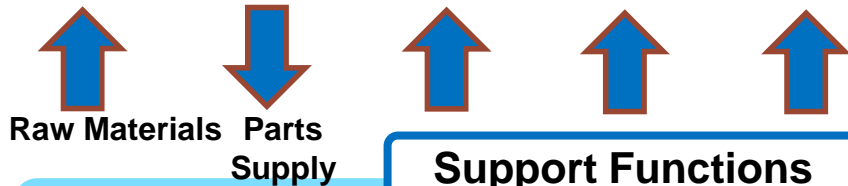
Independent decision to venture into overseas markets

Specialized in single process

Need to acquire broad management functions



Order Process



Clients (Final Assemblers, etc.)

(Source) Elaborated by the author, based on an article of Mr. Hirotoishi Ito, JETRO Sensor, Aug. 2012, Figure 1 (p.22)

Searching for a New PPP Model

From “All Japan” to more “Inclusive” PPP model

- ❑ Such changes in Japanese business model imply the need to transform the nature of Asia-Japan partnerships —going beyond the traditional PPP based on “All Japan” model to “mutual learning” model.
- ❑ It is important to build “co-creative” partnerships with Asia (& elsewhere) —based on broader & deeper networks with local talents and organizations.
- ❑ Japan should mobilize the existing local HR & institutions, fostered through decades of ODA & economic cooperation more strategically.
- ❑ Also, there are emerging Asian initiatives to strengthen networks with Japan (for their industrial upgrading), which should be fully capitalized.

2. Partnership with Asian Emerging Donors: “Cooperation” and “Competition” ?

- The rise of Asian emerging donors and growth resurgence among traditional donors are welcome development for Japan—which has tended to be isolated within the int’l community & the DAC.
 - **The age of choice** (ODI 2013)—more diverse & increased development partners imply that developing countries could benefit from the greater choice of development cooperation.
 - This demands enhanced efforts on Japan to sharpen its own comparative advantage (“nitche”).
 - Japan should **focus on its core competence** to make distinctive contributions to the new era of development cooperation.
- ➔ *This is an era of “Cooperation” and “Competition.”*

Japan's Core Competence (1)

- Catch-up, latecomer perspectives
- Utilizing its aid and development experiences in East Asia
- Collaborating with emerging donors (e.g., South Korea, Thailand, Malaysia, China), based on shared development visions
 - ▶ Growth-driven, poverty reduction (aid is not just charity)
 - ▶ Respect for each country's uniqueness
 - ▶ Realistic and pragmatic approach to aid delivery
- Mainstreaming East Asian perspectives into global development debates

Japan's Core Competence (2)

□ Japan as a “Solution Provider”

- ▶ As a **mature donor**, there are knowledge and technology accumulated within Japan —business, local govt., univ., NPO/NGO — in overcoming socio-economic problems through its own catch-up & development (e.g., urban mgt., pollution, UHC, disaster prevention)
- ▶ Positioned to provide public goods for future Asia and the world in the area of frontier challenges (e.g., aging, declining birth rates).

□ Japan as a “Knowledge Partner”

- ▶ Intellectual aid and policy dialogue, with int’l comparative analyses of best practices (not just Japan, but other Asian partners), based on the networks nurtured through past & current ODA partnerships.

Japan's Core Competence (3)

- Japan as a “Quality Leader” in global business activity
 - ▶ Strong manufacturing (*monozukuri*)-orientation
 - ▶ Long-term commitment
 - ▶ Provision of partner support, HRD, QCD, technology transfer
 - ▶ Good legal compliance (e.g., environment, human rights), etc.



Ethiopia PM Halemariam (AU Chair@TICAD V: 2013)

- Strongly welcome Japanese companies (esp. manufacturing)
- Expect Japanese FDI as Quality Leader (not, Quantity)
- Appreciate Japanese companies to bring and share Japan's value system, work ethics, quality (*kaizen*).

3. Recommendation: Network-based Development Cooperation

- ❑ The SDG era—increased complexity of development challenges, requiring combined resources and capabilities of diverse stakeholders.
- ❑ Japan should strengthen “co-creative” partnerships with various stakeholders in Japan and abroad.
- ❑ It should also mobilize human & knowledge assets, nurtured through decades of its ODA & experiences.
- ❑ It is important to build and mobilize “multi-faceted networks” encompassing:
 - ▶ Business, local govt., NPO/NGO, univ. & research inst., etc.
 - ▶ Emerging donors in Asia, local people & organizations with shared value in Asia & elsewhere.

Co-Creative Partnerships, based on Multi-faceted Networks & Japan's Comparative Advantages

- Solution Provider
- Knowledge Partner
- Quality Leader

Finance

Human Resources

Knowledge

- Private sector: business & NGOs (Japan & abroad)
- Local govt.
- Universities, research institutes, etc.
- Emerging donors (Triangle cooperation)

Network-based DC:

Engaging various stakeholders in developmental partnerships !!

Examples

**(Network-based Development
Cooperation)**

Knowledge Partnership: Ethiopia-Japan Industrial Policy Dialogue



Late PM Meles Zenawi asked GRIPS & JICA to start kaizen & policy dialogue in Ethiopia (2008).

- **Kaizen (JICA support)** – phase 1 (2009-11), phase 2 (2011-14) & phase 3 (2015-19)
 - ▶ Based on successful pilots, Ethiopia Kaizen Institute (EKI) was established; National Kaizen Movement has been launched; JICA is currently supporting advanced kaizen.

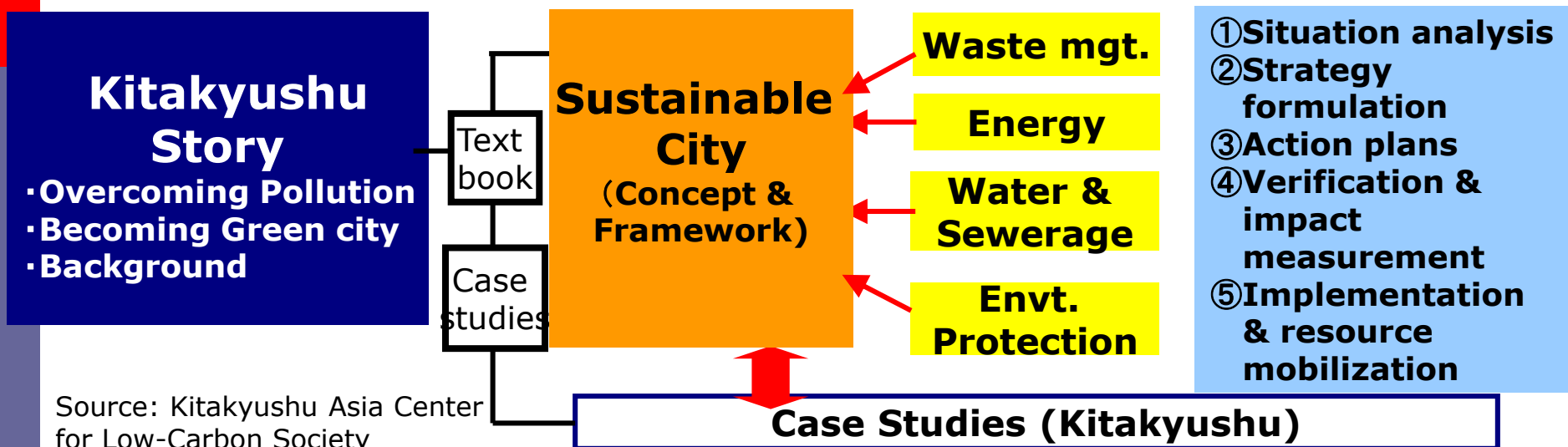
- **Policy dialogue (by GRIPS & JICA)** – phase 1 (2009-11), phase 2 (2012-16) & phase 3 (2017-20).
 - ▶ 17 sessions held so far with PM, ministers & operational level.
 - ▶ Study concrete cases in Asia & Africa, and propose pragmatic policies based on Ethiopian reality.
 - ▶ Inviting practitioners from Thailand & Malaysia to policy dialogue. Sending a group of Ethiopian senior officials to Malaysia.

Partnership with Local Government

Sharing the experiences of city management

- Japanese local govt., business and NPO, jointly have rich experiences in overcoming pollution, managing urbanization and industrialization.
 - ▶ Sustainable & Green cities—Yokohama (mega city), Kitakyushu (green city), etc.
- Japan has also accumulated the expertise of disaster prevention and reconstruction.

<Compilation of Kitakyushu Model>



Partnership with Business

Utilizing ODA-based human & institutional networks

- Assets accumulated through decades of ODA and economic cooperation (e.g., JICA experts, JOCV volunteers, local partners)
- JETRO (local BOP coordinators), HIDA (ex-AOTS) alumni associations (local companies, businessmen, etc.), foreign students in Japan

Kenya: JKUAT
(Jomo Kenyatta Univ. of
Agriculture and Technology)

Joint research
(Pro-Japanese
faculties
& students)

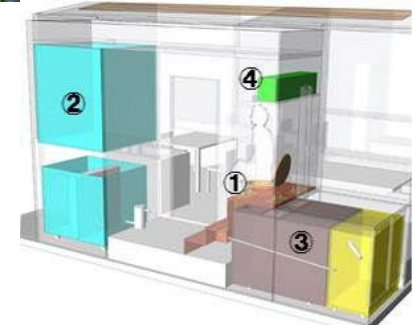
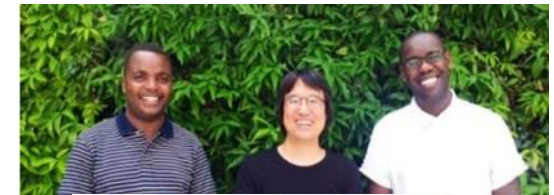


Nisshin Oishii Project

NPO Core Road
Empowerment
(ex-JICA expert)



OSA Japan
(ex-JICA expert)
with Kenyan experts



Eco-friendly toilet, LIXIL

Working with Asian Leaders, who Share Common Manufacturing Values



Policymaker (former JICA counterpart, Thailand)

- Mr. Panuwat Triyangkulsri, Director of the Bureau of Supporting Industry Development (BSID), MOI/DIP, Thailand.
- Trained as counterpart of Japanese ODA (80s-) for industry promotion projects for metal & automotive sectors.
- Currently, key policy maker of Thai SI development & partners with Japanese business; also initiated Triangle Cooperation with Mekong region (for SI development).

Home-grown, Japanese-style *Monozukuri* Human Resource Training & Educational Institutions

Technology Promotion Association Thailand-Japan (TPA):

- NPO established by Thai people who studied in Japan and returned to Thailand, to disseminate and teach Japanese *monozukuri*. Initially received ODA & other support (METI & HIDA, etc.), but now provide technical training, *shindan*, Japanese language training, etc. under fully local ownership.
- Currently, engaged in business matching btw. Thai and Japanese SMEs and various business consulting.

Thai-Nichi Institute of Technology (TNI):

- Private university established by TPA in 2007 to educate industrial human resources familiar with Japanese *monozukuri*.
- Will start international programs for the neighboring countries from Aug. 2018 ("Thailand + 1" strategy).
- Also, interested in promoting R&D collaboration btw. Japanese & Thai companies.

