

Eastern and Western Ideas for African Growth: Diversity and Complementarity in Development Aid

By Izumi Ohno & Kenichi Ohno



The West and the East approach economic development differently. The Europeans and Americans stress free and fair business climate, promoting private activities generally without picking winners, and improving governance. East Asia is more interested in achieving concrete results rather than formal correctness, prioritising a small number of sectors for industrialisation, and eventual graduation from aid.

In their latest book, *Eastern and Western Ideas for African Growth: Diversity and Complementarity in Development Aid*, Izumi and Kenichi Ohno explore the apparent differences between East and West and discover that their approaches are in reality complementary, and that cooperation between the two can lead to faster growth and economic transformation.

Following a decade of poverty reduction drive with a special focus on health care and primary education, the growth agenda has returned to the centre of global development debates. While poverty reduction strategies in the late 1990s to the early 2000s targeted social sectors, recent years

have seen renewed interest in growth promotion. Concerns are rising with private sector development, infrastructure, technology transfer and agricultural and industrial transformation in both developing countries and the international community that supports them. New analytical tools such as Growth Diagnostics by Harvard professors¹ and *Doing Business* surveys by the World Bank group² have been introduced. Many growth strategies are proposed, including *The Growth Report* by the Commission on Growth and Development³ and the New Structural Economics approach by former World Bank chief economist Justin Lin⁴. Donor support for infrastructure development, which declined sharply in the late 1990s, has revived, and talk of public-private partnership has become fashionable.

It is now commonly recognised that economic growth is essential for sustainable poverty reduction. Successful East Asian economies have all adopted growth-oriented development strategies of one kind or another. Japan's aid policy strongly reflects its own historical experience as a successful latecomer country; for long it has stressed the importance of sustaining growth, attaining self-reliance and overcoming aid dependency. For Japan and other like-minded East Asian donors, regained global balance between growth and poverty reduction, with more emphasis on the former, is highly welcome. The global debate should now shift from an unproductive choice between growth and poverty reduction to learning a pragmatic method by which country-specific growth strategies are formulated and implemented.

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How does the East differ from the West?

There are notable differences among donors and their approaches to aid and development. East Asia, including Japan, is interested in tangible results through concrete projects rather than formal correctness in general theories and frameworks. It is sensitive to local politics and historical contexts, and knows the futility of a one-size-fits-all approach. It prioritises a small number of sectors for industrialisation, and accepts aid as a means for ultimately graduating from it. By contrast, Western donors usually recommend good governance and an early adoption of policies and institutions

that copy international best practices. Both the Doing Business Indicators and the Worldwide Governance Indicators extract desirable attributes of growth-friendly governments from the West and evaluate and rank developing countries by them. While Growth Diagnostics that look for a small number of binding constraints to growth is an important departure from the long and globally common to-do list approach of the Washington Consensus institutions, it is still couched on the Western tradition. Its logic tree tries to find a country's weaknesses in relation to international norms and thus solutions are proposed with little heed to political feasibility or administrative capacity of the country in question.

The East Asian approach is characterised by real-sector pragmatism, goal orientation, and a pursuit of unique strengths for each country. The problem of weak policy capability is acknowledged, but that does not lead to the counsel of minimalist government. Capability must be built up through hands-on effort and struggle—building a large industrial zone with deep seaports, raising car production to 1 million units per year, producing a certain number of ICT engineers, etc.—rather than trying to improve governance scores generally with no specific objectives. In our book this is called “dynamic capacity development”, whereby private skills and policy capability are acquired by solving concrete problems step by step toward pre-set goals. This can help developing country governments to practice selectivity and concentration, execute and monitor key projects well, and gain confidence and pride through gradual accumulation of small successes.

Minding rules versus players

Yanagihara distinguishes the “framework approach” practiced by Western aid

donors from the “ingredients approach” of the Japanese government in its development aid strategy⁵. The former emphasises the rules of the game by which private actors and policy makers play while leaving the outcome of the game to individual matches and players. Great attention is paid to the functioning of markets, justification of official intervention, budget and public investment frameworks, people's empowerment and participation, monitoring mechanisms,

East Asia have been exposed to a heavy dose of Washington Consensus formulas to the extent that they cannot think development in any other way. Some of them have heard of East Asian miracles but few know exactly how the East has caught up economically with the West. Our book does not deny the importance of rules and frameworks, but warns against only minding them without training individual players and hiring good coaches.

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administrative efficiency and accountability, and the like. Aid harmonisation and general budget support are naturally born out of this tradition.

In contrast, the latter approach takes deep interest in how individual players are playing in the field and the outcome of each game. It examines technology, labour cost and quality, demand trends, product mixes, industrial structure, marketing and logistic efficiency, and the like, in the concrete context of targeted sectors and regions. Matching crop species with particular soil, training factory workers for kaizen (Japanese-style quality and productivity improvement) and efficient layout of capital equipment are among things that are seriously discussed. Similarly, technical specification of roads and bridges, the lot size and the scope of one-stop investor services in an industrial park, and other details which are normally left to consultants and contractors in the West are the proper concern of Japanese aid officials.

Many latecomer countries outside

Setting goals to be unique and strong

In high performing economies in East Asia, industrial policy has usually taken a goal-targeting form. A national leader first proclaims a long-term vision that points to a direction without giving details (“Move from hardware to soft power,” “Learn from Japan and Korea,” “Be an automotive hub of Southeast Asia with high-quality part export,” etc.) To realise this vision, an appropriate government organisation is designated to draft an ambitious but (with good effort) attainable strategy and execute it with concrete action plans. Working backwards from broad goals to phased strategies and annual plans and budgeting, making necessary adjustments and accumulating experience and confidence along the way, has been the hallmark of East Asian development planning.

Japan in the 1960s had the goal of doubling income within the decade as well as competing effectively with Western multinationals as trade barriers were lifted under the GATT

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Kennedy Round commitments. The Ministry of International Trade and Industry (MITI) together with the Japan Development Bank coordinated and assisted private efforts in improving productivity. Taiwan in the 1980s launched high-tech industry promotion to replace the heavy industry drive of the past. Priority areas were selected, a science and technology park was created in Hsinchu, FDI marketing was conducted, and policy measures were introduced to support R&D and finance eligible companies. The top priority of Malaysia at present is to overcome an upper-middle income trap into which it seems

to have fallen and become a fully developed economy by 2020. A comprehensive strategy, consisting of the Economic Transformation Programme and the Government Transformation Programme, was launched in 2010 with a large number of initiatives, targeted areas and indicators. Results are regularly monitored by the Performance Management and Delivery Unit and the Independent Evaluation Board.

Instead of assessing developing countries by global standards or nudging them to become average achievers in all areas, the East Asian approach is to identify the future potential unique to each country. Limited

resources are poured into this area rather than scattered across many unrelated programs. Rwanda aims to become a top IT country in Africa and El Salvador wants to solidify its position as a logistic hub of Central America—in air, land and sea transport. Though they are not located in East Asia, their policy orientation is Eastern. The development strategy of a land-locked country should be entirely different from that of a country with excellent seaports. Once unique potential for each country is identified, policy effort must be directed to removing barriers to attain that potential.

Policy dialogue for latecomers

If an African country—or a latecomer country in any other region—wishes to learn the nitty-gritty of Eastern policy making, where can it find a textbook and an instructor? As a starter, we recommend bilateral *policy dialogue*, a flexible consultative mechanism Japan employs routinely in East Asia and elsewhere. Since the Eastern approach denies common answers, it cannot deliver a pre-determined fix applicable to all. The lesson must be learned interactively. What it can offer is a suggestion for methodology—the way a solution should be constructed for each country.

The policy dialogue we advocate is an intellectual cooperation between a developing country and an advanced country, held regularly over a few to several years with an open and evolving agenda. It is a private tutoring for policy learners with no pre-determined formula—everything is up to the needs of the client. This certainly differs from normal technical assistance with narrowly prescribed terms of reference. It is also unlike seminars and tours organised by an industrialised country to publicise (brag about) its past achievements. Japan's policy dialogue cites concrete cases from all around the world, not just Japanese experiences, which are usually too hard to digest for beginners.

Starting with Argentina, Japan has conducted policy dialogue with many

Japan's Policy Dialogue with Developing Countries

Country	Period	Head/key players	Purpose and content
Argentina	1985-1987 1994-1996	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, democratisation, decentralisation 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 & organisation, 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

Source: authors' research.

Abbreviations: MITI (Ministry of International Trade and Industry), SME (small and medium enterprises), JICA (Japan International Cooperation Agency), JETRO (Japan External Trade Organization), JBIC (Japan Bank for International Cooperation), GRIPS (National Graduate Institute for Policy Studies).

Note: This table lists policy dialogues that are large-scale or worthy of special attention. Besides these, Japan offers policy advice through dispatching advisors to heads of state or ministers, expert dispatches, drafting reports on development strategy, training courses and site visits, conferences and seminars, etc. in various scale and duration.

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developing countries in various modalities regarding purpose, scale, participants, duration, and frequency (see table on the left). It usually starts with a national leader of a developing country requesting Japan to discuss development strategy generally or teach and transfer the experiences of East Asian development. In countries such as Vietnam, Indonesia and Laos, the Japanese government has mobilised a large number of academics, businesses, and aid consultants to identify key issues, study them, and offer policy advice. A similar policy dialogue is about to start in Myanmar.

While East Asia and Sub-Saharan Africa are different, and issues and solutions may differ considerably between the two regions, the method of organising policy dialogue as discussed above should be valid for any latecomers. Admittedly, Japan has a far smaller presence in investment and ODA in Sub-Saharan Africa in comparison with East Asia, where its economic ties and aid efforts are concentrated. For this reason, Japan's growth assistance initiative in Sub-Saharan Africa should start with a manageable size and initially target only one or two countries that are willing and able to learn. In the chosen country, Japan should become a lead donor in growth policy and work closely with other stakeholders such as domestic and foreign businesses, academics, NGOs, and bilateral and multilateral donors.

Western donors and international organisations also conduct "policy dialogue," but their topics tend to be less industrial and more towards macro-economic, legal, social or governance aspects. When industrial issues are taken up, they are usually cross-sectoral problems such as ICT, globalisation, green growth, and enterprise reform rather than sector-specific targeting or planning. Japan's policy dialogue is

unique in the sense that it aims directly at strengthening the state's role and capacity in industrialisation rather than reducing the scope of government intervention. Korea also offers large-scale policy cooperation to developing countries called the Knowledge Sharing Program, but its approach is far broader and more standardised than Japanese.

Ethiopia-Japan industrial policy dialogue

The Ethiopia-Japan industrial policy dialogue is an endeavour to transfer the East Asian approach to Africa. The dialogue was requested in 2008 by Prime Minister Meles Zenawi after he read a report which was the previously unpublished version of the book this article is based on. Mr. Meles was particularly interested in the chapter on Japan's kaizen project in Tunisia. Unlike the EU project which helped Tunisian firms to acquire ISO certification, the Japanese team visited 28 model firms regularly to provide concrete and practical advice on the factory floor and transferred diagnostic skills to Tunisian officials. In fact, this is the standard

assistance were closely linked with substantive feedbacks.

After several months of preparation, the first phase (2009-2011) of Ethiopia-Japan industrial policy dialogue was launched. It was jointly managed by JICA and GRIPS while the two-year kaizen project was executed in parallel by a team of Japanese consultants. The JICA-GRIPS team visited Ethiopia every three months to have intensive discussions at three levels including (i) the prime minister, (ii) ministers, state ministers and a senior advisor to the PM ("High Level Forums"), and (iii) policy makers, practitioners and international partners on the ground. The agenda evolved from developmental politics, Agricultural Development Led Industrialisation (Ethiopia's key vision), Eastern methods of policy formulation and documentation, the concept of kaizen and its applicability to Ethiopia, the next five-year plan, basic metal and engineering industries, case studies from Singapore, Taiwan, Korea, Malaysia, Thailand, Indonesia, Burkina Faso, Botswana, etc. Discussion was always frank, action-oriented and with mutual respect.

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procedure for kaizen assistance that Japan offers to any country. Mr. Meles asked the Japan International Cooperation Agency (JICA) to replicate kaizen assistance in Ethiopia and the National Graduate Institute for Policy Studies (GRIPS) to engage in bilateral policy dialogue. One important aspect of this cooperation was that policy dialogue and concrete industrial

At the request of the Ethiopian government, the twin projects were extended to the second phase (2012-2015). As of mid 2013, industrial policy dialogue is focusing on strategic export promotion, FDI marketing and planning organisation under new Prime Minister Hailemariam Desalegn. It now features targeted learning from Malaysia and producing concrete



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results. Meanwhile, the second phase of kaizen aims at training Ethiopian kaizen experts and strengthening the Ethiopia Kaizen Institute, a national organisation established in 2011.

Because policy dialogue is a complex and delicate cooperation, partners must be chosen with care. We visited a number of “donors’ darling” countries in Africa for a potential dialogue partner, and ended up with Ethiopia which was willing to learn and had already done some learning previously. This fact was crucial apart from the request from the PM.

the side line, the Eastern tutor may be able to help Ethiopia attain that goal.

A final remark

We recognise that the views mentioned above are by no means the monopoly of East Asian officials and experts. Nor do we claim that every Japanese advisor practices good Eastern methods. However, as a general tendency, these views permeate more strongly in the East than in the West, which currently sets the global development agenda. In international conferences, it is not uncommon to see Korean and Chinese

learning the Eastern way more and correcting the dominance of the Western way. 

About the Authors

Izumi Ohno is Professor at the National Graduate Institute for Policy Studies (GRIPS) in Tokyo. She specializes in international development policy and Japan’s ODA policy. Prior to joining GRIPS (in 2002), she worked at the Japan International Cooperation Agency (JICA), the World Bank, and the Japan Bank for International Cooperation (JBIC). She holds MPA from WWS of Princeton University.

Kenichi Ohno is Professor at GRIPS, specializing in development economics and industrial development. He has advised Vietnam for 18 years and currently conducts regular policy dialogue with the Ethiopian government. He holds Ph.D in Economics from Stanford University and was economist at the International Monetary Fund (IMF) from 1987 to 1991.

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Ethiopia stands out from other countries in Africa for its desire to learn from the East, strong policy ownership, and unwavering resolve toward agricultural and industrial development. It rejects Neo-classical Liberalism, donor-driven development agenda, and academic research without practicality. Division of labour among donors is ordered by the Ethiopian government, not by donors through aid harmonisation. It is amazing to see such a poor and aid-dependent country as Ethiopia exercise so much policy independence, and we applaud it. From the East Asian perspective, no country can start on a robust growth path unless it has national pride, self-discipline and upward mobility. However, these spiritual conditions are necessary but not sufficient for development. The only thing Ethiopia seems to lack at present is the deep knowledge and experience in industrial policy making which must be acquired with patience and determination. From

participants proposing proactive and skilful government to work with the private sector, while Westerners often express doubts about such state activism. However, the number of Western officials and researchers that support Eastern policies, entirely or partially, is on the rise. Our book is a collection of articles written by such Western “converts” as well as typical Eastern researchers and African development officials.

The difference between the two perspectives is a fundamental one rooted in methodology and philosophy. However, we must insist that the two are complements rather than substitutes. The best results will be obtained when the functional framework approach of the West is combined with the Eastern approach that promotes hands-on experience and the uniqueness of each country. Abstract thinking must be supported by pragmatic action. For most latecomer countries outside East Asia, this means

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