

Improving Industrial Policy & Enhancing Factory Efficiency

Transferring Japanese Manufacturing Technology and Practice to Africa



Thailand



Vietnam



Ethiopia

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Features of Japanese FDI



- ❑ **Manufacturing-oriented**—we prefer manufacturing rather than quick trade, real estate, or mining.
- ❑ **Monozukuri spirit**—we are proud of *gemba* and pursue quality, productivity & customer satisfaction.
- ❑ **Long-term orientation**—we are slow to come to frontier countries but, once invested, we will stay even with difficulties.
- ❑ **Enhancing local capability**—Japanese firms are willing to train workers & improve partner companies.
- ❑ **Legal compliance**—we observe local laws on labor, tax, environment, etc. better than others.



Features of Japanese FDI (cont.)

Some negatives

- ▣ **Slow decision-making**—Japanese firms are risk-averse and take a long time to make an investment decision.
- ▣ **Too shy to mingle**—we are not very good at working in multi-cultural environment or building global networks.

In sum,

- ▶ We are slow but sincere. We target high-quality manufacturing rather than quick profits. We teach local firms & workers.
- ▶ If developing countries are patient enough, inviting and working with Japanese FDI will surely contribute to industrialization.
- ▶ Some Asian countries particularly target Japanese FDI for that purpose (Vietnam, for example).

Development Cooperation: East & West

At the risk of oversimplification

East and West have different views on how economic growth should be supported.

	EAST (esp. Japan)	WEST
Goal	Dynamism --national pride, industrialization, compete for excellence, graduate from aid	Altruism --poverty reduction, equity & rights; rich must help poor to alleviate pain
Approach	Pragmatism --obsession with concrete details & progress; JICA goes to factories & farms	Rule-based --install proper & general framework; leave details to consultants
Time scope	Long-term --some projects take decades to bear fruits; trials & errors are acceptable	Short-term --every project must produce visible results for evaluation after 2-3 years
Democracy	Democracy & markets need time to grow and mature	Democracy as pre-condition of growth at any income level
Typical tools	Infrastructure, industrial HR, SMEs, TVET, industrial master plans, FDI-local firm linkage, productivity, creation of new industry, one-stop service...	General budget support, law, governance, PPP, export marketing, trade negotiation skill, green manufacturing, business matching funds...

Japan's Industrial Cooperation

- ❑ Unlike WB or UN Group, Japan's aid policy has been constant since 1955: **infrastructure** & **human resource** are two pillars.
- ❑ Institution building & training locals are key—the ultimate goal is sustainability after JICA experts leave & graduation from aid. We do not create parallel mechanisms in doing projects.
- ❑ *Gemba* orientation—experts work in factories & farms; JICA officials also visit and have hands-on knowledge on each project. (cf. contract-based consultancy in USAID, DFID, Korea's KSP...)
- ❑ Linkage between FDI and ODA is considered important.



Japan's Industrial Cooperation (cont.)

- **“50-year cooperation”**—some projects are very long in duration: we accept the fact that industrial results may take a long time to emerge.
 - Thailand's King Mongkut University Ladkrabang (IT & telecom, since 1960)
 - Indonesia's Brantas River Basin development (since 1961)
 - Vietnam's Cho Ray & Bach Mai Hospitals (national referral hospitals, since 1966)
 - Chile's salmon industry (creating a new industry, since 1969)
 - Brazil's Cerrado Agriculture (creating a new industry, since 1977)

- Japanese ODA is geographically more diverse than Japanese FDI (Asia-focused). Africa is a very important region for JICA.

- Japan is weak in communicative ability—English & report writing are poor; global idea projection & marketing is limited.

Japanese FDI & ODA in Africa: How to Proceed

- ❑ There is nothing fundamentally different between Asia and Africa. There are diligent & not-so-diligent people, and competent & not-so-competent governments in both regions. Initial conditions are all different from one country to another.
- ❑ **Distance problem**—Asia is near and Africa is far from Japan. Given the long-term teaching nature of Japanese manufacturing, creation of a reliable production network in Africa will take longer.

Number of Japanese FDI projects as of early 2014:

Thailand (3,924), Indonesia (1,763), Vietnam (1,542), Ethiopia (1)

- ❑ At first, **quality**, not quantity or speed, should be expected from Japanese manufacturing FDI or ODA in Africa. We should be realistic.
- ❑ Over time, Japanese FDI & ODA will surely make a positive impact on Africa's industrialization.

Kaizen in India

(Japanese Style Productivity Improvement)

- ❑ India's kaizen is private sector-driven. It started when Maruti-Suzuki, a Japanese car JV, taught *muda* elimination to local component suppliers in 1984.
- ❑ Indian engineers learned well. They can now perform kaizen perfectly without Japanese. Kaizen is firmly established in Indian auto & textile sectors.



National Productivity Movement (Singapore)



Teamy Bee, the symbol of productivity



Kohei Goshi, JPC
chairman



PM Lee Kuan Yew

- PM Lee Kuan Yew requested Japan Productivity Center (JPC) to teach productivity. JICA experts assisted Singapore during 1983-1990 (awareness stage, action stage, ownership stage).
- By the early 1990s, Singapore was good enough to teach others (Mauritius, Botswana, Vietnam...) Japan assisted Singapore's knowledge transfer from the sideline.

TVET-FDI Linkage (Vietnam)

JICA has assisted Hanoi University of Industry (HaUI) since 2000.

Phase I (2000-2005) – teaching machining & electronics by providing experts & equipment

Phase II (2010-2013) – matching training programs with labor needs of Japanese FDI

Phase III (now) – scaling up this model to other TVET institutions in Vietnam



Private University to Teach Japanese Manufacturing (Thailand)

- ❑ Technology Promotion Association (TPA, est. 1973 in Bangkok) is a private NPO founded by Thai students who studied engineering in Japan. It has taught Japanese technology & language for 42 years.
- ❑ In 2007, TPA created Thai-Nichi Institute of Technology (TNI), a private university teaching Japanese mindset, language & manufacturing practices to 4,000 students (MA & BA).
- ❑ Japanese government & businesses support TPA & TNI by sending instructors, receiving interns, offering scholarships, hiring graduates, etc.



Creating High-quality Industrial Park (Cambodia)



- ❑ Phnom Penh Special Economic Zone (PPSEZ, est. 2006) is jointly managed by Cambodian (78%) and Japanese (22%) capital. It has excellent one-stop service in Japanese language, water supply, waste treatment, a power generator, a dry port, and a Japanese restaurant.
- ❑ By mid 2015, PPSEZ became full; it has attracted 40 labor-intensive Japanese firms in electronics, machinery, garment, food, etc.— Minebea, Sumitomo Wiring Systems, Ajinomoto, Denso...

Indonesian Mold & Dies Industry Association (IMDIA)

- ❑ IMDIA, est. in 2006, is one of the Strategic Investment Action Plans between Indonesia & Japan. It has over 400 corporate members.
- ❑ Japanese government & businesses support IMDIA to strengthen Indonesian mold & dies industry. Mr. Takahashi & Mr. Tanigawa (photo), two experienced Japanese industrial experts, run IMDIA programs on a volunteer basis (no salary).



Industrial Policy Dialogue (Ethiopia)

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

Phase I (2009-2011) – developmental philosophy, policy method in East Asia, productivity movement, GTP

Phase II (2012-2015) – export promotion, champion products, strategic FDI attraction, industrial parks, national branding, GTP2



Kaizen in Ethiopia

Driven by strong initiative of PM
with JICA's support



Tire factory



PVC pipe factory



Shoe factory



Ethiopia-Japan Industrial Policy Dialogue

2008 2009 2010 2011 2012 2013 2014 2015 2016 ...

PM Meles

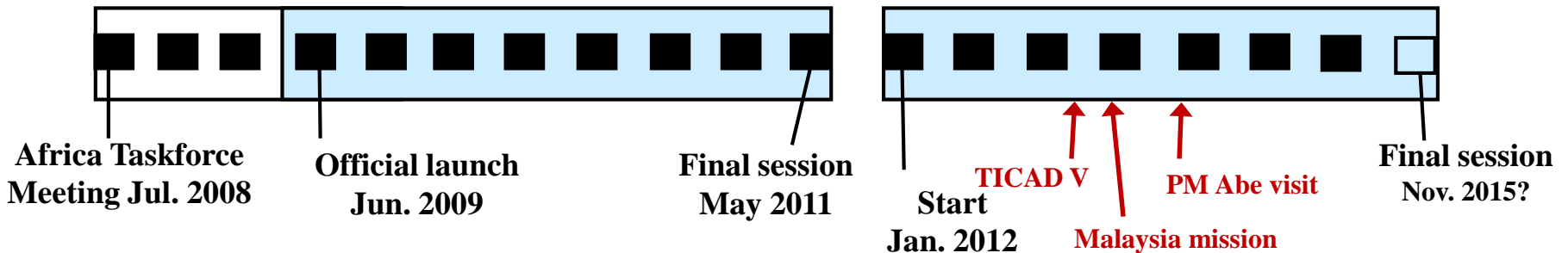
PM Hailemariam

Industrial Policy Dialogue

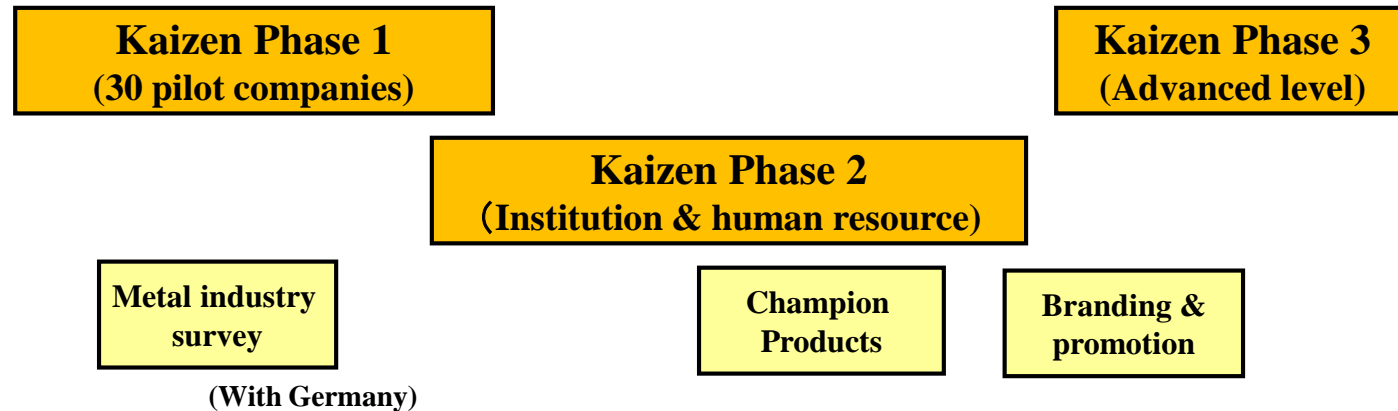
Preparation

Phase 1 (2009-11)

Phase 2 (2012-15)



**JICA's
Industrial
Cooperation**



Note: Black boxes indicate three-level policy dialogue in Addis Ababa (PM, ministers, operational level).

Province-based Economic Growth (Vietnam)



Japanese SME Area of Dong Van II Industrial Zone



Ha Nam leader & Party Secretary
Mr. Mai Tien Dung

- ❑ JICA & GRIPS just started to pour ODA & FDI into a few Vietnamese provinces with industrial potential & dynamic leaders - to create a model for the entire nation. Ha Nam Province is the first candidate.
- ❑ Water supply, TVET, a high-quality industrial zone for Japanese FDI, and strategic FDI marketing in Japan are to be included.