

Japan's Strategy to Align with Industrial Goals of GTP II (Proposal)



For more details see Draft Chapter 4 of the GRIPS Report on Industrial Policy Dialogue Phase 2, to be submitted to JICA (under preparation).

GRIPS Development Forum

In close consultation with JICA & other Japanese ministries and agencies responsible for industrial cooperation with Ethiopia

Addis Ababa, July 2016

Extracting Industrial Goals for Japanese Alignment

- ❑ GTP II mentions industry-related objectives, strategic directions, implementation strategies, etc. in a number of places. To avoid duplication & confusion, we would like to refer to Part II, Section 4.2 (Manufacturing Industry) only.
- ❑ Within this Section, we select a number of strategic directions, objectives & implementation strategies which can be summed up into four points.
 - Strengthening Ethiopian enterprises
 - Attracting quality FDI
 - FDI-local firm linkage
 - The productivity-wage nexus
- ❑ These were the topics discussed extensively in Industrial Policy Dialogue Phase 2, which are now incorporated into GTP II as key issues.

Alignment Principles

- ❑ We would like to set clear **Vision** and **Targets** for bilateral industrial cooperation in advance so we know where we are going and we can monitor progress.
- ❑ Japan does not have to cover all. Our involvement must be **selective** & based on **Japanese comparative advantage**. Coordination and complementarity with other donors must be secured (esp. improvement of investment climate).
- ❑ If the Ethiopian government agrees with our proposed policy components, we will start working on **action plans** & **project formulation**. Japanese ministries & agencies are willing—METI, MoFA, JICA, JETRO, JBIC, (GRIPS), (UNIDO Tokyo).

Proposed Vision & Targets

Proposed Vision—Japan's industrial cooperation vision is to "Help Ethiopia become a high-quality manufacturing nation which has seriously & selectively learned developmental experiences of Asia including Japan."

Proposed Targets—(i) industrial human resource; (ii) transforming Ethiopian firms into competitive manufacturers; (iii) creation of champion companies; (iv) creation of champion products; and (v) attraction of sufficient Japanese FDI.

Each of these targets should be concretized with a few key numerical indicators & time schedule.

Japanese Cooperation Components: Old & New

Existing—industrial policy dialogue, kaizen, champion products, national branding, ABE initiative, productivity-wage research, investment climate survey, building Japanese industrial area.

These areas should be continued and enhanced.

Newly proposed—strategic management capability, champion companies, FDI-local firm linkage & technology transfer, investment climate improvement, bilateral tax & investment agreement, strengthening industrial zone policy & investor services, investment & loan facilities for Japanese FDI.

For these new areas, we need to first discuss scope, prioritization, targets, method & modality, funding, timing, etc. Handholding can be used for promoting champion companies & products and linkage & technology transfer.