



Growth Policy Formulation

Can East Asia Teach Anything to Africa?

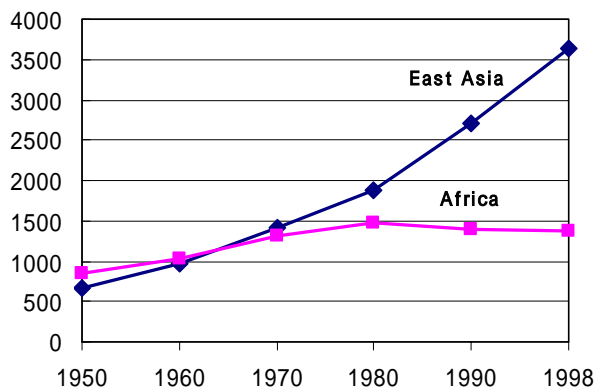
Kenichi Ohno (GRIPS)
March 2008

High Performance (on average)

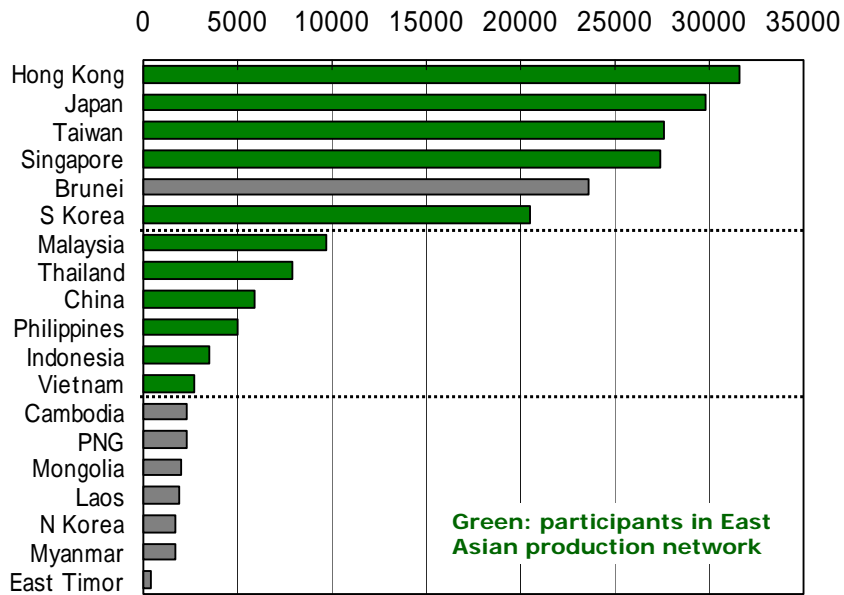
East Asia achieved high average growth in recent decades

Per Capita GDP
(Measured in 1990 international Geary-Khamis dollars)

Source: Angus Maddison, *The World Economy: A Millennium Perspective*, OECD Development Centre, 2001.

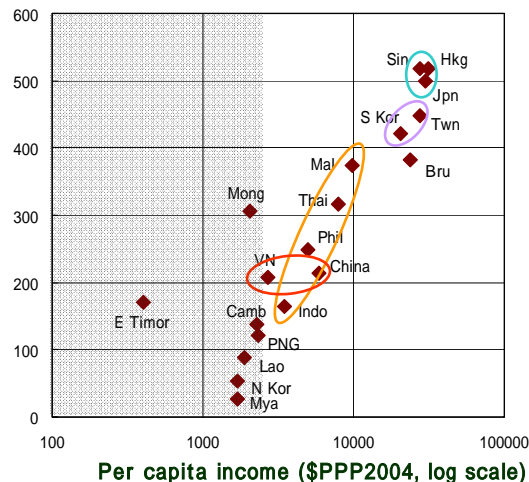


Per Capita GDP in 2004 (\$ PPP) World Bank data



Diversity in Political and Economic Development

Governance, WGI2005



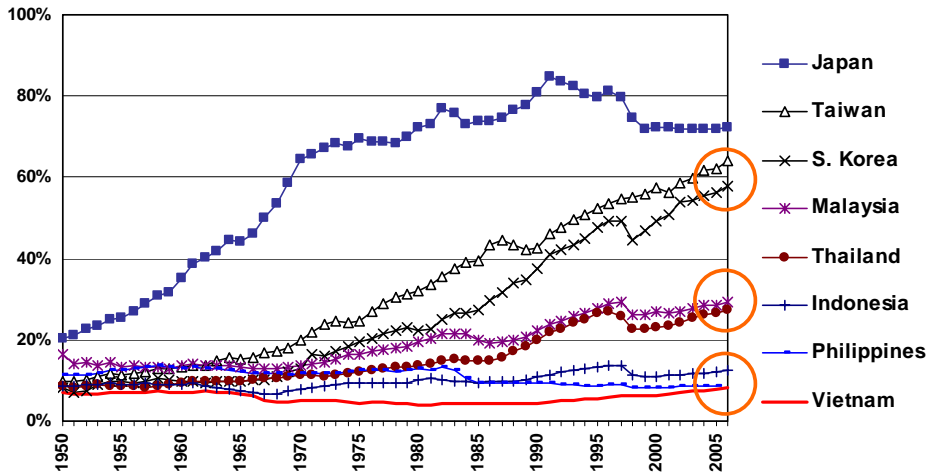
High correlation (0.90) but causality cannot be argued from this diagram

Only circled economies participate in regional dynamism

Sources: Compiled from World Bank, Worldwide Governance Indicators, Sep. 2006; and World Bank, *World Development Indicators*, 2006.

Different Speed of Catching Up

Per capita real income relative to US
(Measured by the 1990 international Geary-Khamis dollars)



Sources: Angus Maddison, *The World Economy: A Millennium Perspective*, OECD Development Centre, 2001; the Central Bank of the Republic of China; and IMF *International Financial Statistics* (for updating 1998-2006).

Wrong Lessons from East Asia

- **WRONG:** Mindless copy of a policy adopted by some E. Asian country in the past (ex. postal savings, heavy industry drive, Green Revolution, etc)
- **WRONG:** Strong government should direct private sector activities (In East Asia, private dynamism informed and led policy direction)
- **WRONG:** An authoritarian state is needed for economic take-off (research on “Democratic developmentalism”—can we have development without a dictator?)

Development and Aid Strategy

There is a clear difference in developmental orientation between Eastern practitioners and Western aid community.

	East Asia's Way	Western Donors
Goal	Economic prosperity and national pride	Poverty reduction (MDGs)
Policies	Investment, trade, skills, technology	Health, education, governance
Key actors	Central government and businesses	Local communities and poor people

Learning Industrial Policy Formulation

- Political will and national obsession (not just “ownership”)
 - Pursue growth policies *and* social policies (separable)
 - Vision → goals → action plans
 - Field-based pragmatism, attention to details
 - A permanent process for continuously setting goals and action plans
- General ideas and methods for designing unique policies for each country



Why Eastern Way Is Hard to Convey to Others

- Emphasis on local diversity
No manuals or policy matrix; no answer available immediately
- Emphasis on doing rather than talking/writing/advocating
Lack of PR and framework, respect for quiet action
- Language barrier
Internal reports in Japanese only



Our Proposal for Japan's New Aid in Africa

- Japan should concentrate additional aid on a few African countries with:
 - Strong political will (top leader)
 - Social and macroeconomic stability
 - Sufficient administrative mechanism
- Initiate policy dialogue for formulating concrete growth strategy
- Mobilize available aid tools for executing agreed strategy
- Involve private sector and other donors



Similar Views

Our Report--*Diversity and Complementarity in Development Aid* (2008), see pp.11-17.
ODA Manifesto by the Group for Renovating Japanese ODA, compiled by GRIPS (2007).
MOFA Advisory Committee on International Cooperation, *Interim Report* (2008).
JICA-JBIC Report, “Strategy for Sustained Growth Acceleration in Africa: A View from Asian Experiences” (in process, 2008).



ODA Manifesto by the Group for Renovating Japanese ODA (2007)

- Proposal 27**—Expand ODA for Africa, especially grants.
- Proposal 28**—Establish a committee to specialize in supporting Africa.
- Proposal 29**—Select model countries for “aid for graduation” and concentrate resources.
- Proposal 30**—Design special facilities to mitigate risks and promote private investment in Africa.



JICA-JBIC Report in Progress

Establish “Industrialization Strategy” as a process, not just a document.

1. Identify desired vision, economic structure, and positioning in global value chain.
2. Through public-private dialogue, discover growth-leading industries for future.
3. Identify their constraints (infra, HRD, etc).
4. Devise measures to remove constraints and promote targeted industries.

Measures must be consistent with the country's institutional capability and executed under discipline and competition.



Japan's Development Dialogue in East Asia

- **Vietnam** – *Ishikawa Project* (policy research and dialogue among academics, officials & consultants, 1995-2001)
- **Laos** – *Hara Project* (overall development strategy, 2000-05)
- **Thailand** – *Mizutani Report* for upgrading SMEs and supporting industries (1999)
- **Indonesia** – Continuous Government-Business Policy Dialogue, *Urata Report* (2000)



Can We Replicate This in Africa? The Case of Zambia

- JICA is conducting the “Triangle of Hope” Project 2006-09 (improving investment climate) mobilizing a Malaysian consultant under new methodology.
- As a next step, Zambia wants Japan to help formulate a long-term industrial strategy.
- Japanese Embassy, JICA and myself submitted a concept paper on steps toward “Zambia Industrialization Strategy” (Dec.2007).



Our Suggestion for Zambia’s Next Steps

- Precondition – forming a strong super-secretariat under President
- First stage (1 year preparation)--industry surveys, studying East Asian experiences, receiving experts, seminars, website, produce *Basic Issues Report*
- Second stage (2 years) – drafting *Industrialization Strategy* with JICA support

- Top leader’s strong commitment is critical
- Mainstreaming of this project among donors and in Tokyo



More Books from GRIPS

Ohno, Kenichi, and Izumi Ohno, eds (1998), *Japanese Views on Economic Development: Diverse Paths to the Market*, Routledge.

Ohno, Kenichi, ed (2006), *Industrial Policy Formulation in Thailand, Malaysia and Japan: Lessons for Vietnamese Policy Makers*, Vietnam Development Forum/Publishing House of Social Labour, Hanoi.

Ohno, Kenichi (2006), *The Economic Development of Japan: The Path Traveled by Japan as a Developing Country*, GRIPS Development Forum. Also available in Japanese, Chinese, Vietnamese, Arabic.