Network-based Development Cooperation as a Way Forward for Japan

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GRIPS Development Forum, March 16, 2017
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.)

CSV: Creating Shared Value

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

(Source) Prepared by the author
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)
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

Support Functions

Raw Materials Parts Supply

Order Process

Procurement Manufacturing Distribution Sales/Marketing Service/Maintenance

Partner factories in Japan

Specialized in single process

Independent decision to venture into overseas markets

Need to acquire broad management functions

Overall Mgt. (HRD & Labor Mgt., Finance, etc.)

Procurement Manufacturing Distribution Sales/Marketing Service/Maintenance

Selecting partner factories & training them

Establishing marketing & service networks by themselves

Clients (Final Assemblers, etc.)

(Source) Elaborated by the author, based on an article of Mr. Hirotoshi 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

**Network-based DC:**

*Engaging various stakeholders in developmental partnerships!!*

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

  - Based on successful pilots, Ethiopia Kaizen Institute (EKI) was established; National Kaizen Movement has been launched; JICA is currently supporting advanced kaizen.

  - 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>

Kitakyushu Story
- Overcoming Pollution
- Becoming Green city
- Background

Sustainable City (Concept & Framework)
- Waste mgt.
- Energy
- Water & Sewerage
- Envt. Protection

Text book
Case studies

Case Studies (Kitakyushu)

Source: Kitakyushu Asia Center for Low-Carbon Society
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)

NPO Core Road Empowerment (ex-JICA expert)

OSA Japan (ex-JICA expert) with Kenyan experts

Nisshin Oishii Project

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-Nich 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.