

**Germany- Japan Partnership for “Quality Growth”:
Sharing Experiences of Industrial Development Cooperation
in Partnership with the Private Sector**

Seminar Report

The GRIPS Development Forum Seminar, supported by the Japan International Cooperation Agency (JICA), the Overseas Human Resource and Industrial Association (HIDA) and the Embassy of the Federal Republic of Germany, was held on March 1, 2016, with approximately 60 participants (including panelists) from diverse background—diplomats, researchers, representatives of private sectors, policy makers and practitioners—who were interested in the German and Japanese industrial development cooperation.

The seminar program consisted of: (i) three presentations by keynote speakers — Mr. Thomas Rolf, Program Manager responsible for private sector development in the German Corporation for International Development (GIZ), and Mr. Michael Kleinbub, Advisor for Development Cooperation (so called, “EZ Scout”) serving for the German Confederation of Skilled Crafts (ZDH), and Mr. Hiroyuki Yoneda, Executive Director of the Japan-Thailand Economic Cooperation Society (JTECS); and (ii) panel discussions joined by two prominent Japanese practitioners—Mr. Yoshinobu Ikura, Director General, Industrial Development and Public Policy Department of JICA and Mr. Yuji Shimo-Osama, Director of the Board at HIDA. (See <http://www.grips.ac.jp/forum/newpage2008/event.htm> for the details of the seminar program and the profile of speakers/panelists.)

The below summarizes key points of the presentations and panel discussions.

1. Professor Izumi Ohno, National Graduate Institute for Policy Studies (GRIPS)

—Introduction to the Seminar and Key Features of Japanese and German Industrial Development Cooperation

Prof. Izumi Ohno, GRIPS Development Forum, explained the objectives of this seminar and key futures of Japanese and German industrial development cooperation. The seminar aims to introduce the approach and practice of German and Japanese industrial development and private sector cooperation for mutual learning. It also aims to discuss how the two countries could (even) better contribute to **quality growth** in partner countries, in the light of opportunities and challenges emerging in the new era of global development. Special attention will be paid to partnerships with the private sector, industry-related institutions, local governments, and non-profit organizations (NPOs) because they are crucial players in contributing to the 2030 agenda for sustainable development.

Quality growth is a key ingredient of the Sustainable Development Goals (SDGs) which are much broader and transformative than the Millennium Development Goals (MDGs). It is multi-faceted concept, including human resource development, internalization of skills and technology, industrial competitiveness, social inclusion, environmental sustainability, and so on.

Then, Prof. Ohno stressed three reasons why it is timely and quite appropriate to shed light on German and Japanese industrial cooperation. First, both Germany and Japan share common features on development cooperation, which are essential to support quality growth. These include concrete, process-oriented support on the ground; capacity development and human-centered approach; strengths in manufacturing (*monozukuri*) and technology, as well as sustainability and environmental concern. Secondly, two countries recently formulated new policies for development cooperation to actively contribute to the 2030 agenda. In the case of Germany, the Ministry of Economic Cooperation and Development (BMZ) formulated the Future Charter for German Development Cooperation (“One World—One Responsibility”) in November 2014. For Japan, the Ministry of Foreign Affairs formulated the Development Cooperation Charter in February 2015 (approved by the Cabinet), by revising the 2003 Official Development Assistance (ODA) Charter. Thirdly, Japan can learn a lot from German experiences because Japanese business—especially small and medium-sized enterprises (SMEs)—increasingly faces challenges of internationalization and overseas business expansion under the shrinking domestic market (due to ageing and declining birth rates). It is also important that the Japanese business be actively engaged in inclusive business (or the Base of the Pyramid business) which provides innovative solutions for development challenges.

It is hoped that this seminar provides opportunities for mutual learning and also, simulates thinking how Japan could sharpen its “core strengths” in development cooperation as diverse actors are getting engaged in development cooperation.

2. Mr. Thomas Rolf, Product Development Senior Manager, GIZ (German Corporation for International Cooperation)

—Private Sector and Development—German Service Portfolio

Mr. Thomas Rolf began by introducing GIZ, a federally-owned corporation for German international cooperation, commissioned by the German Federal Ministry for Economic Cooperation (BMZ). Similar to JICA, GIZ provides the services worldwide in the field of international cooperation and acts as an innovative partner for global sustainability challenges. It has overseas offices in 130 countries, with the number of staff reaching 17,000 people. GIZ promotes complex reforms and processes of change in different sectors such as sustainable

economic development, environment, energy, biodiversity, climate, health, transportation and infrastructure management. GIZ offers demand-driven, tailor-made and effective services for sustainable development.

The private sector increasingly plays an important role in development cooperation. So, GIZ works with the private sector to create synergies for global challenges because climate changes, poverty, and depletion of natural resources demand for common efforts. Mr. Rolf then explained the service portfolio of the Unit for Private Sector Cooperation (to which he belongs). The programs of the Unit for Private Sector Cooperation can be broadly categorized into five: (i) Consulting Services; (ii) Learning and Implementation Networks with the private sector; (iii) Manager Trainings; (iv) Innovative Cooperation Approaches; and (v) Project Implementation.

First, GIZ offers “Consulting Services” for business chambers, associations and corporations on development cooperation instruments and (funding) programs. There are two types of advisory services: **EZ-Scouts** and **ExperTS**. These services provide contact points for the private sector and give advice of BMZ’s options for development cooperation. For example, EZ (Development Cooperation) Scouts are seconded to business chambers, associations and corporations in Germany and act as contact persons linking their overseas businesses with development cooperation (see Mr. Kleinbub’s presentation for the more details). ExperTS are dispatched to business chambers and associations overseas.

Second, GIZ manages “Learning and Implementation Networks” with private sectors. These include **Alliance for Integrity (Afin)**, **Global Compact Network Germany (DGCN)**, **Responsible and Inclusive Business Hubs (RIBHs)**, and **Inclusive Business Action Network (IBAN)**. Third, “Manager Training” offers **Global Business Exchange Program** in selected countries (Morocco, Colombia, and Peru).

Fourth, as one of the experiments under “Innovative Cooperation Approaches,” GIZ has recently started ‘**lab of tomorrow**’. While many German SMEs are interested in business engagement in Africa, they often lack business know-how, especially, in terms of finding right business partners and exciting ideas. ‘**lab of tomorrow**’ provides them with guidance for innovative design and thinking method. GIZ organizes three-day workshops (both in Germany and Africa) by inviting German SMEs, where opportunities are provided to think and design business solution to concrete development challenges faced by African countries.

Finally, as “Project Implementation” in partner countries, BMZ has been funding the program called **develoPPP.de** since 1999, to foster the involvement of the private sector at the point where business opportunities and development policy initiatives intersect. Under this program,

development organizations and European (incl. German) companies are encouraged to jointly plan, finance and implement projects in developing countries; if they request, GIZ can also provide technical support. These companies are responsible for covering at least half of the overall costs (50%-50% cost-sharing rule). All German and European companies, as well as their subsidiaries in developing countries are eligible for developPPP.de. There are three implementing agencies based on respective comparative advantages: GIZ (technical cooperation), Sequa (technical and vocational education and training: TVET) ¹, and DEG (financial cooperation)². So far, a total of 2,000 projects have been implemented under developPPP.de, with about 700 projects being handled by GIZ.

3. Mr. Michael Kleinbub, Advisor for Development Cooperation, EZ Scout, ZDH (Confederation of Skilled Crafts)

—The Role of German Business Associations and TVET Centers in Industrial (German) Development Cooperation

Mr. Kleinbub works for **ZDH** as **EZ Scout** by himself. BMZ and other German ministries offer a variety of services to support entrepreneurial engagement in developing countries, and one of main supporting programs for private companies is **EZ-Scout** program. EZ-Scouts experts are dispatched in business associations and chambers within Germany as liaison officers working on behalf of BMZ. Currently 25 EZ-Scouts are placed in assignments (9 EZ-Scouts for DIHK/IHK-Institutions of the Association of German Chambers of Industry and Commerce network, 11 EZ-Scouts for VDMA-German Engineering Federation/GWP: German Water Partnership, 2 EZ-Scouts for associations of German industry, 3 EZ-Scouts at German skilled crafts institutions). They advise entrepreneurs on the cooperation options and networks of German development cooperation and offer regional and sectoral networks, by combining their private sector background.

Then, he explained the function of ZDH. The goal of ZDH is to create political and legal frameworks which give SMEs freedom they need to develop their potential as employers and trainers. ZDH emphasizes education policy for the skilled craft sector. It believes that a guarantee of success for the skilled crafts sector and the competitiveness of German industry in general is provided by the “**German dual system**” of vocational qualification. ZDH’s future challenges are

¹ Sequa’ is a non-profit company located in the city of Bonn. Sequa’s shareholders are Germany’s top four business organizations: BDA, BDI, DIHK and ZDH (51%) as well as GIZ (49%). Sequa acts as a hub between international cooperation and the private sector. Sequa’s objective is to create an enabling environment for the private sector in partner countries, with a view to improving the livelihoods and working conditions of as many people as possible. Its agenda also includes strengthening business organizations, establishing sustainable social standards and improving access to vocational education.

² DEG is finances investment by promoting enterprises in developing countries and emerging economies and also promote entrepreneurial initiative in order to contribute to sustainable growth.

demographic change such as aging society and shortage of skilled workers. ZDH has been making efforts to secure skilled personnel and enhance attractiveness of vocational education by their programs. About 50,000 skilled crafts companies are exporting products and services, and another 70,000 companies have potentials to embark on exports. The most important target markets for German SMEs are located in neighboring countries.

Mr. Kleinbub summarized seven categories of development cooperation services for private companies as follows.

(1) Investment funding, preparation and support

German Investment and Development Corporation (DEG) is a subsidiary of German government's development bank (KfW) and provides not only finance but also advice on long-term investing projects. DEG is responsible for "Climate Partnerships with the Private Sector" program on behalf of the German Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety (BMUN). Its main focus is to promote the transfer of know-how and technology to support the emergence of a climate-friendly economy. DEG contributes as maximum of 50% of project costs up to EUR 200,000 (grant assistance). German and European companies are free to participate, also in cooperation with local companies.

(2) International calls for tender/development projects

Germany Trade and Invest (GTAI) offers an overview of current invitations to tender by KfW and other international donors such as the World Bank, EU, and many other bilateral and multilateral donors. GTAI also provides information in the early stage of development projects such as envisaged project content, promotion volumes, deadlines and contact addresses.

(3) Joint projects/development partnerships

develoPPP.de program targets companies interested in investing in developing countries and emerging economies, by seeking ways to shape their corporate commitment to the long term development. For development partnerships, BMZ provides financial support up to 50% of the project costs.

(4) Import promotion/sustainable sourcing

Import Promotion Desk (IPD) is an import promotion service provider in Germany, operated on behalf of BMZ. IPD is a joint project run by Sequa and the Federation of German Wholesale, and Foreign Trade and Services (BGA). IPD brings together the interests of German importers with those of exporters in selected developing countries and emerging nations. Its aim is to promote imports of specific products from selected partner countries with sustainable and structure manner, while complying with high quality, social and environmental standards.

(5) Export loan guarantees

On behalf of the German Federal Ministry for Economic Affairs and Energy (BMWi), consultant companies and think tanks such as Euler Hermes AG and Price and PricewaterhouseCoopers (PwC) AG grant government export loan guarantees for exporting goods and service. These effectively safeguard economic and political risks of payment default.

(6) Capacity development and experts program

- Partnerships with business chambers and associations (Sequa): It aims to improve project partner's structures and management, by offering long-term and short-term advisory services, training course, study and delegation trips, funding for equipment and PR work.
- BBP³: Vocational Education and Training Partnerships Programme (Sequa): The BBP programme is targeted at contributing to sustainable economic development and poverty reduction in the BMZ partner countries by improving the local vocational education and training system. BBP projects are mobilizing the know-how of German business membership organizations and their VET Centers for development cooperation, they build on private sector initiatives and they promote the cooperation of civil society actors in accordance with the principle of subsidiarity. Right now around 20 skilled crafts organizations take part in the program.
- DAAD⁴ practical partnerships: DAAD supports academic exchange of students. It promotes cooperation between companies and universities from both Germany and developing countries.
- Senior Experts Service (SES): SES seconds honorary specialists who are no longer active in their profession for worldwide assignments. SES has more than 11,500 senior members who are from industrial companies and crafts businesses to organization and municipalities. There are more than 50 industrial sectors, and they provide advice and hands-on support. Its assignments usually last for three to six weeks; the maximum duration is six months.
- Manager training program 'Global Business Exchange (GloBus)': German company receives manager level of workers in developing countries and supports them to train German real business in Germany for 3-6 months. After training has been completed, it could contribute to business connection between both companies. Most of cases in this program are made a business contract after finishing training.
- Alumni portal Deutschland: It provides access to international experts who have studied or worked in Germany.

³ Berufsbildungspartnerschaften der Deutschen Wirtschaft (BBP) which means Vocational Education and Training Partnership Programme.

⁴ The German Academic Exchange Service (DAAD) is the world's largest funding organization for the international exchange of students and researchers. The DAAD budget is primarily comprised of funds from various ministries within Germany, most notably the Federal Foreign Ministry (AA), the Federal Ministry of Education and Research (BMBF) and BMZ. Additional funds are provided by EU as well as by various enterprises, organization and foreign governments.

- German-Tunisian Mobility Pact: This program supports young Tunisian people who are well-educated but are unemployed, to respond to the Tunisian Revolution in 2011. German SMEs receive them as intern. They can get Blue Card (a work permit in Germany), if those SMEs evaluate them as highly qualified workers.
- Afrika kommt ! — Africa is coming !: It aims to link German business and industry with managers and future leaders from Sub-Saharan Africa. African young professionals are received in German companies and trained for one year (examples: Volkswagen AG, BASF SE, Bayer AS, Bosch, Siemens Hausgerate, BMW AG, etc.). Companies assume 100% of the costs, regarding it as investment in African future business elites.

(7) Information and contact facilitation

ExpertTS is one of development cooperation programs with the German Chambers of Commerce Abroad (AHKs), Delegations of German Industry and Commerce and Bilateral Business Associations that are financed by BMZ with the Association of German Chambers of Commerce and Industry (DIHK). The network of the ExpertTS is mirrored by EZ-Scouts in Germany. ExpertTS are dispatched in 30 countries, and they are familiar with the local market and its development potentials, as well as the needs of German companies. Priority areas include: (i) setting up chambers of industry and commerce; (ii) promoting climate protection; (iii) sustainable economic development, and (iv) vocational education and training.

4. Mr. Hiroyuki Yoneda, Executive Director, the Japan-Thailand Economic Cooperation Society (JTECS)

—JTECS-TPA-TNI Model—Introduction of Successful Case of Technical Cooperation in Japan

Mr. Yoneda explained JTECS experiences of forging Japan-Thailand manufacturing partnership, through tripartite partnerships among Japanese and two Thai non-profit organizations (NPOs). JTECS was established on July 7, 1972, to contribute to industrial development of Thailand and the neighboring countries by implementing economic cooperation programs, as well as the promotion of friendship between these countries. To this end, JTEC collaborates with and provides necessary support to **Technology Promotion Association (TPA)** and **Thai-Nichi Institute of Technology (TNI)**.

Mr. Yoneda summarized the history of JETCS. In 1971, **Mr. Goichi Hozumi**, the first president of JTECS, visited Thailand and heard voices from the Thai alumni members and local industrial circles. In those days, there was severe anti-Japanese movement in Thailand (due to massive exports of Japanese products), and Mr. Hozumi deeply understood their concern and desire to strengthen the Thai local industry. He was convinced that Japan must change its economic cooperation model from not just promoting Japanese exports, but better adapting to the needs of

the Thai private sector. (Note: Mr. Hozumi held other position such as head of the Asia Students Cultural Association (ASCA)⁵ and the Association for Overseas Technical Scholarship (AOTS)⁶.) Mr. Hozumi submitted his findings to the Ministry of Economic, Trade and Industry (METI) in Japan and proposed that: (i) one organization should be created in Japan as the counterpart of TPA to support Thai organizations; and (ii) one association should be established to contribute to Thai industry by the Thai people. In this way, JTECS was inaugurated in Japan with the renewed principle of **equal-partnership** and **respect of Thai autonomy**. Then, TPA was created by many young returnees from Japanese universities. JTECS received financial support from METI and private companies in Japan and has coordinated with TPA and TNI as a facilitator in Japan.

TPA was established on January 24, 1973 in Bangkok, Thailand, as a NPO. Its main objectives include: (i) human resource development of Thai industry; (ii) technology transfer from Japan; and (iii) promotion of Thailand-Japan relationship. The activities of TPA evolved step by step. In the first stage (1973-1981), TPA focused on “**technology transfer**” which was primary introduction of Japanese technology. This included a school of languages and cultures (both Japanese and Thai), as well as seminars on Japanese technology by inviting Japanese experts (with TPA members acting as translators. Textbooks were published in Thai language. In the second stage (1982-1997), TPA served as “**technology promoter**” by educating and training Thai experts, trainers and consultants by Thai people themselves. TPA experts disseminated QC activities, Kaizen, and TPM, and started Industrial & Laboratory Instrument Calibration Center. During the third stage (1998-2006), TPA acted as “**technology disseminator**” and started diagnosis and consultancy services. It trained SME management consultants (*shindanshi*), expanded instrument calibration services and increased many kinds of training programs.

Now, TPA has reached the fourth stage (2007 to present) and become “**technology educator**.” It is particularly notable that TPA members realized their long-time dream to establish a university that produces highly qualified graduates in industrial technology and business management, based on Japanese manufacturing method (*monozukuri*). This is how **TNI** was established by TPA in 2006, with the support of Thai and Japanese governments and private industrial sector. (TNI was approved by the Office of the Commission on Higher Education, the Ministry of Education in September 2005.) Key features of TNI are: (i) adoption of Japanese *monozukuri* style teaching;

⁵ ASCA was established in 1957. Since its founding 50 years ago, the Association’s objective has been to provide a place where scholars and students from the developing countries of Asia, Africa, Latin America and young Japanese students could live together like a multi-cultural family in a healthy, sincere atmosphere where mutual understanding could be deepened and friendships nurtured.

⁶ The Association for Overseas Technical Scholarship (AOTS) was established in 1959 with the support of the METI as the first technical cooperation organization on a private basis in Japan. AOTS has been merged with the Japan Overseas Development Corporation (JODC) in March 2012, and established one organization as HIDA. Therefore, HIDA made a new start as a general incorporated foundation on April 1, 2013.

(ii) teaching of Japanese and corporate culture; (iii) support from both Thai and Japanese industries in human resource development; and (iv) strong networks of Japanese universities and institutions. TNI's faculty includes engineering (automotive engineering and production engineering, etc.), IT, industrial management, and business administration, and so on. As of 2014, 5,059 students are enrolled.

By now, TPA and TNI are widely recognized in the Thai society. As such, Mr. Yoneda believes that the JTECS-TPA-TNI model can be regarded a successful example of *monozukuri* partnership between Japan and developing countries.

Finally, Mr. Yoneda shared his thought of future prospects of JTECS. JTECS works together with TPA and TNI, and all they should play an active role in supporting the education of highly qualified Thai people. TPA and TNI should develop industrial design and development program for engineers and entrepreneurs. JTECS has tried to facilitate Thailand participate in industrial human resource development in neighboring countries by transferring Japanese *monozukuri* method and providing hands-on service to neighboring countries by the Thai people.

5. Comments and Discussions (moderated by Izumi Ohno, GRIPS)

(1) Mr. Yoshinobu Ikura, Director General, Industrial Development and Public Policy Department, Japan International Cooperation Agency (JICA)

Mr. Ikura explained JICA's approach to private sector and development, with specific reference to the East Asian experience and future challenges. In East Asia, the volume of trade expanded significantly with "intermediary goods" becoming major trade goods. In this sense, it is fair to say that East Asia has become "one factory." Japanese ODA in East Asia went along with various stages of FDI inflow into this region—such as the New Aid Plan (trinity of FDI, trade and aid) and the subsequent promotion of FDI-local industry linkage and SME development (since the late 1980s after the Plaza Accord), and more recently, the support to ASEAN Connectivity (from the early 2000s onward). Typically, Japan has significantly contributed to the development of infrastructure such as transportation, communication and electricity in East Asia, having major impacts in respective countries

JICA embraces the overall vision of "Inclusive and Dynamic Capacity Development." Private sector development vitally contributes to the realization of this vision through employment creation, regional revitalization, income and wealth generation, increase of saving and investment, human resource development, provision of goods and services, and strengthening of industrial competitiveness. There are three pillars of JICA's support to private sector development in

developing countries: (i) **trade and investment promotion (including the dispatch of investment promotion advisors)**, (ii) **SME development**; and (iii) **development of local industries and economy**.

As for the way forward, Mr. Ikura presented three broad directions. First, for East Asia, it is important for JICA to firmly support the realization of “The Asian Century” (ADB, Asia 2050), through industrial human resource development and regional cooperation. Secondly, for those countries and region beyond East Asia (such as South Asia and Africa), JICA is providing support to human resource development through “Kaizen” and African Business Education Initiative for Youth (ABE Initiative), as well as investment and trade promotion. Thirdly, JICA has recently introduced private sector partnership scheme, to mobilize expertise and technology of Japanese business (including SMEs) to solve developmental challenges. He then gave various examples of JICA’s ongoing support in these directions—industrial human resource development cooperation initiative (e.g., practical technical skills, design and product development skills, innovation capability, management and planning skills), Japan Centers, engineering higher education, customs administration, industrial policy dialogue (Ethiopia), productivity improvement (Kaizen), One Stop Border Post in Africa, and so on.

Lastly, Mr. Ikura shared his views on similarities and differences between German and Japan industrial development cooperation. As for similarities, both countries achieved dynamic economic growth after the World War II. They have a strong manufacturing basis known for *momozukuri* and German skilled craft, embracing philosophy such as diligence, discipline and quality education. Nevertheless, there are differences between two countries. Germany attaches importance to “**Made in Germany**”, and there are many German SMEs (known as “*Mittlestand*”), which are globally competitive, manufacturing niche-top products. Also, the German government is open to receive foreign workers to satisfy the labor market needs. On the other hand, Japan emphasize “**Make in Asia**” and promotes outgoing FDI, with large corporations establishing production networks in East Asia. In this way, Japanese business model is different from that of Germany. Moreover, Japan remains reluctant to receive foreign workers even though it faces shrinking population year by year. The Japanese government needs to formulate a strategy to tackle this problem in order to open bright future for the young generation.

(2) Mr. Yuji Shimo-Osawa, Director of the Board, The Overseas Human Resources and Industry Development Association (HIDA)

Mr. Shimo-Osawa began with general introduction of HIDA. HIDA is a Japanese organization dedicated to industrial human resource development in developing countries and emerging economies. It provides technical cooperation through training, experts dispatch and other

programs. HIDA was established on March 30, 2012 through the merger of the Association for Overseas Technical Scholarships (AOTS) and the Japan Overseas Development Corporation (JODC). It then made a new start as a general incorporated foundation in April 2013. The head office is located in Tokyo, and there are two training centers in Tokyo and Osaka. HIDA has overseas offices in Bangkok, Jakarta, New Delhi, and Yangon.

HIDA's activities consist of three pillars: (i) government-subsidized program; (ii) entrusted program; and (iii) self-financed program. Mr. Shimo-Osawa primarily explained the first pillar (i), which is the focus of this seminar. HIDA conducts two types of training programs in Japan—**technical training** and **management training**. Technical training begins with an introductory program, where trainees learn Japanese language, culture and Japanese society. This is followed by on the job training (OJT) inside companies, and trainees are sent to host companies in Japan to acquire specialized technical skills based on plans made by individual companies. Management training provides lectures on production management, quality management, and innovation management etc. The majority of trainees come from Asian countries. The data on HIDA training in Japan (during FY2008-2014, government-subsidized program) show that before coming to Japan, trainees held the positions of engineer (34%), manager (17%), and general manager (11%) in their own companies and that after coming to Japan, they received training in such areas as automobile (22%), other electric equipment (10%), and industrial machinery (4%).

HIDA has been making major efforts to build and strengthen networks with alumni who participated in training programs. This initiative started at the time of AOTS, its predecessor. For example, it occasionally organized the **HIDA-AOTS Success Story Convention** (2009 and 2014). **HIDA-AOTS Alumni Societies** are composed of registered members and companies of the participants of HIDA and AOTS training programs. There are 71 Alumni Societies in 43 countries. In this regard, TNI is a good benchmark model for HIDA-AOTS Alumni Societies, as explained by Mr. Yoneda, JTECS. As such, Mr. Shimo-Osawa emphasized that HIDA has contributed to economic development of developing countries and emerging economies, as well as the promotion of friendly relationship between Japan and these countries.

Mr. Shimo-Osawa briefly mentioned the third pillar (iii), namely the activity of **HIDA Research Institute (HRI)**. HRI was established in April 2013 as a self-financed arm of HIDA. HRI manages "**Global Interface Japan,**" which acts as cross-border business to business promotion platform by linking industries between Japan and developing countries. Under the Global Interface Japan program, HRI facilitates information sharing, conducts oversea research, and promotes business exchange. There are mostly fee-based, and HRI can make profits from them. HIDA-AOTS Alumni Societies Network plays a critical bridging role in this program. In recent years, Japanese companies (including SMEs) are accelerating the expansion of their international

businesses, particularly in emerging countries. With the emergence of a full-fledged globalization, HIDA seeks to become a core institution capable of performing the function of global human connectivity.

(3) Discussions and Q&A—with the speakers/panelists from GIZ, ZDH, JTECS, JICA, and HIDA

Differences and similarities between Germany and Japan

Mr. Shimo-Osama (HIDA): Germany has a well-established system of vocational training (before entering into the labor market), combining school education with internships at companies. While there are many vocational training schools in Japan (both public and private), they may be less systematized compared to Germany. On the other hand, Japanese individual companies dedicate significant time to training their workers through OJT. Japan places greater emphasis on OJT at companies (after completing schools) because it is more informal, flexible and tailored to the needs of respective companies. HIDA supports this kind of OJT, especially through technical training program. There is wide acceptance of Japanese culture and Japanese-style production and management among the trainees who are sent from companies in East Asia. This is one of important strengths of Japanese technical and vocational training.

Mr. Ikura (JICA): JICA has several industrial cooperation programs similar to those of Germany. For example, JICA dispatches “Senior Volunteers” (those retired, senior professionals) to various organizations in developing countries to share their accumulated expertise with them. This is similar to “SES” explained by German speakers. JICA also provides assistance to Japanese companies (both corporates and SMEs) which are interested in overseas business expansion. This assistance is targeted at private companies which would like to utilize their technologies to solve developmental challenges in partner countries. JICA covers the costs of their implementing preparatory surveys, feasibility studies for business plan development, verification surveys for pilot operations, and so on.

Prof. Kenichi Ohno (GRIPS): Japan regards its neighboring Asian developing countries as partners of production rather than the markets. This is the biggest difference between Japan and Germany. Many Asian countries are interested in Japanese methods such as *monozukuri* and *kaizen*. For example, central/local governments in Vietnam highly regard Japanese companies as trustworthy because they teach Japanese business methods to the Vietnamese. Japan should take this advantage and consider next step for Japanese overseas business expansion.

Comments from a participant: As a Japanese researcher who used to live in Germany, I feel strongly that Japan needs to change more dynamically, learning from Germany which is leading “Industry 4.0” and various innovations. I have an impression that in Asia, the Japanese way—

including the terminology of *monozukuri*—is increasingly viewed as old-fashioned. Japan should become more future-oriented, without adhering to its traditional way of doing things.

Made in Germany

Mr. Rolf (GIZ): Our vision of “Made in Germany” was invented by the British after the World War II. Initially, British consumers did not buy German products because they were uncertain about the quality. They started buy German products after finding out that these were of high quality with good prices. Japan must have had same experience like Germany. Once consumers know that products are of high quality with reasonable prices and satisfy sustainability standards, they will start to buy them. At present, Africa is becoming a big market. This is the time to go there and do business with African partners. Germany as well as Japan should not miss this opportunity.

Factors for success of the JTECS-TPA-TNI Model

Mr. Yoneda (JETCS): There are several factors that have contributed to success of the JTECS-TPA-TNI model. Mr. Hozumi (the founder of JTECS) worked together with Thai members and the most important one is their strong desire for promoting Thailand’s industrial development by local ownership. This motivated the Thai people very much and fostered trustful relationship between JTECS and TPA/TNI. Thai members never attempted to make profits for JTECS or himself by supporting TPA/TNI. JTECS has served for the benefits of Thai industry and Thai people. In the future, JTECS would like to provide similar cooperation programs in other countries, as well.

Business with Africa

Mr. Ikura (JICA): In the past, Japanese companies have never thought about investing in Africa. But, now that the domestic market is unlikely to grow, Japanese companies need to expand business all over the world including Africa. It may be difficult to directly utilize their Asian business model to Africa. In new business, partnership and network building will be a key to their business strategies. Japan has started to strengthen human relationships with African youth through the scholarship program called the ABE Initiative. Those young students can become future business partners for Japan, once they have completed respective studies at Japanese universities.

Prof. Kenichi Ohno (GRIPS): Japan is very slow in going to Africa. However, once Japanese companies have established production bases, they will not leave so easily. This is a big difference from the business model of some emerging countries which are willing to take high risks for quick returns; but they may not stay permanently.

Industry 4.0 and Japan

Mr. Shimo-Osawa (HIDA): It is yet to be seen how “Industrial 4.0” will change the industry sector in developing countries. At present, there is a huge gap in the industrial capacity between developing countries and advanced countries like Japan. The latter uses high engineering technology. Nevertheless, Internet of Things (IoT) or IT-based software has potential to bring changes in developing countries because it will influence how to transfer information. IoT may demand more innovation for industry. I hope that Japanese high technology can support the introduction of such innovative software to developing countries.

The scope for Manager Training Program

Mr. Kleinbub (ZDH): This program is implemented by GIZ with the funding of the Federal Ministry for Economics and Technology. It covers management training, business practice and initiating business. Regarding the latter, the scope of business contracts varies by company. It can be about selling goods, imports and exports, or developing common products, etc.

Final comments—future possibility of German and Japanese cooperation for industrial development and private sector partnership

Mr. Ikura (JICA): JICA is always interested in sharing experiences and activities with German partners. Also, there is a possibility of collaboration in the areas of German engineering expertise and Japanese *monozukuri*.

Mr. Shimo-Osawa (HIDA): HIDA is not a governmental agency but non-governmental technical cooperation organization. So, we always had to take care of not only cost effectiveness of our government-subsidized and entrusted programs but also creation of wealth by conducting self-financed programs as part of HRI activity. HRI is keen to enhance its ability of formulating new and innovative projects in partnership with business. Therefore, this seminar has given us a good opportunity to learn German methods, and we should continue sharing mutual experiences.

Mr. Rolf (GIZ): GIZ is pleased to collaborate with Japan. It is clear from today’s seminar that Germany and Japan have different competitive advantages in respective cooperation programs. For example, GIZ organizes workshops for discussing development challenges of Africa from business perspectives (‘lab of tomorrow’), in both Germany and Africa. Probably, there is no equivalent to such program on the Japanese side. GIZ welcomes Japanese private sector to participate in this program.

Mr. Kleinbub (ZDH): Germany is always keen to learn from Japan to deepen mutual understanding. It may worth considering a possibility to exchange experts who could contribute to facilitating collaboration in the area of industrial development cooperation.

Mr. Yoneda (JTECS): Building on their success, TPA and TNI have reached the stage to think about next challenges and future direction, including their enhanced roles in the neighboring Asian countries. So, it will be useful to continue sharing respective experiences with German partners for mutual learning.

6. Closing remarks

Ms. Shikibu Oishi, Senior Advisor for Trade Policy and Economics, Embassy of the Federal Republic of Germany, Tokyo

Ms. Oishi mentioned that this seminar was a great opportunity to learn the experiences of German and Japanese industrial development cooperation in partnership with the private sector. She was glad that fruitful discussions took place among many participants. The German government collaborates with German Chambers of Commerce to promote German business. German Chambers are actively engaged in advancing cooperation with Japan, as well as that with third countries. German companies are increasingly interested in doing business in emerging countries, and the German government considers seriously how to improve mutual economic partnerships with these countries. At the same time, the German government understands that it is important to start with improving the business environment on the ground before building high-level economic partnerships. Therefore, this discussion was quite relevant and touched upon key issues for the German economy in the near future.

This year, the G7 Summit will be held in Ise-Shima, Japan in May. Ms. Oishi expects that discussions will include industrial cooperation and business expansion in emerging potential markets in the world. Three years ago, TICAD V was held in Yokohama with the participation of over 50 African countries. The participants from African governments and private sector organizations emphasized the importance of changing the nature of partnerships from aid-centered to those based on trade and investment. To this end, it is very important to build industrial capacity of African countries. This seminar covered all these issues related to forthcoming international meetings. Thank you very much.

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