



**International Symposium on Development
Strategy toward the 21st Century in Commemoration of
“International Cooperation Day” — 1988**



Japan International Cooperation Agency



The Overseas Economic Cooperation Fund

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“International Cooperation Day” – 1988**

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Japan International Cooperation Agency

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Panel discussion I



Panel discussion II



The total number of the attendants reached some 550.

CONTENTS

Outline of the Symposium	1
Opening Speech (Mr. Kensuke Yanagiya)	3
Opening Speech (Mr. Mitsuhide Yamaguchi)	5
Message (H.E. Mr. Noboru Takeshita)	6
Commemorative Speeches	
H.E. Mr. Sosuke Uno	11
Dr. Saburo Okita	21
Mr. William H. Draper III	29
Panel Discussion I	
Theme, Background, Subjects of Discussions	43
Chairman, Keynote Speakers	45
Panel Discussion	47
Panel Discussion II	
Theme, Background, Subjects of Discussions	91
Chairman, Panellists	92
Panel Discussion	94

OUTLINE OF THE SYMPOSIUM

We, Japan International Cooperation Agency and the Overseas Economic Cooperation Fund, held a symposium on October 6 and 7, 1988, at Tokyo Prince Hotel, which was entitled "International Symposium on Development Strategy toward the 21st Century in Commemoration of 'International Cooperation Day' – 1988." "International Cooperation Day," October 6, was established in 1987 commemorating the same day of 1954, when Japan joined the Colombo Plan. The total number of the attendants reached some 550; they included journalists and staff members of aid agencies throughout the world.

The proceedings of the symposium were as follows:

■ October 6 (Thur)

● Opening and Commemorative Speeches 10:14 – 12:53 (Sunflower Hall)

Opening Speeches:

Mr. Kensuke Yanagiya, President of JICA

Mr. Mitsuhide Yamaguchi, Chairman of OECF

Message:

H.E. Mr. Noboru Takeshita, Prime Minister

(Delivered by Mr. Koichiro Matsuura, Director-General, Economic Cooperation Bureau, Ministry of Foreign Affairs)

Commemorative Speeches:

H.E. Mr. Sosuke Uno, Minister for Foreign Affairs

Title: "Japanese Development Assistance Policy"

Dr. Saburo Okita, Chairman, Institute for Domestic and International Policy Studies

Title: "Developing Countries and Japan"

Mr. William H. Draper III, Administrator, United Nations Development Programme (UNDP)

Title: "Assistance Reviewed from the Standpoint of an International Development Agency"

● Panel Discussion I 14:03 – 17:19 (Sunflower Hall)

Theme: How Japan Can Best Assist Developing Countries' Structural Adjustment Efforts, with Particular Reference to Regional Factors?

Chairman:

Dr. Masaru Yoshitomi, Director-General, Economic Research Institute, Economic Planning Agency

Keynote Speakers:

World Economy in General – Mr. Shoichi Kojima, Director, Overseas Research Division, Research Bureau, Economic Planning Agency

Asia – Dr. Toru Yanagihara, Chief Researcher, Institute of Developing Economies

Central and South America – Mr. A. David Knox, Special Adviser to OECF

Africa – Mr. Miguel J. Schloss, Chief, Industry and Energy Division, Africa Technical Department, World Bank

■ **October 7 (Fri)**

● **Panel Discussion II**

9:05 – 12:47 (Sunflower Hall)

Theme: Technical Cooperation for the 1990s

Chairman:

Mr. Ryokichi Hirano, Assistant Administrator and Director, Bureau for Programme Policy and Evaluation, UNDP

Panellists:

Royal Professor Ungku Abdul Aziz, former Vice-Chancellor, University of Malaya, Malaysia

Ms. Sarah Timpson, Programme Director, Division for NGD Matters, UNDP

Professor Fumio Nishino, Faculty of Engineering, University of Tokyo, former Vice-President of AIT

Mr. Yoichi Suzuki, Adviser to Papua New Guinea Government (in charge of development programme), Development Specialist of JICA

OPENING SPEECH



Mr. Kensuke Yanagiya
President of JICA

Good morning, ladies and gentlemen. Today is October 6, "International Cooperation Day." Thirty-four years ago, on October 6, 1954, Japan joined the Colombo Plan, an international organization for economic and technical cooperation. Looking back, this was the starting day of Japan's economic and technical aid to developing countries. So last year, we decided to designate this day as "International Cooperation Day," and to organize events to enhance public awareness and interest in international cooperation. Today, there are events being held across Japan, and in Tokyo we are holding this international symposium to commemorate the day, co-hosted by the JICA and the OECF. May I say, as one of the organizers, I am very pleased to find so many in attendance here today. As you are well aware, Japan has become a great economic power over the past forty-plus years since World War II through the ingenuity and diligent efforts of the Japanese people, and also because of the favourable international environment which assisted our development. On the other hand, looking at the rest of the world, there are many countries which are making great efforts to build up their nations but are facing various difficulties and are still at the stage of developing economies. So expectations are mounting toward Japan's economic and technical cooperation.

In recent years, Japan has made great efforts in terms of economic and technical cooperation to contribute to the international society. However, in

order to reinforce our efforts further, in the spring of this year, we formulated the fourth medium-term target for Official Development Assistance, which was disclosed by Prime Minister Takeshita at the Toronto Summit as one of the important policies of Japan to contribute to the world.

Against this background, being engaged in implementing international cooperation, we are keenly aware of our heavy responsibilities. However, Japanese experience in economic and technical cooperation is limited because of our shorter history compared with that of other donor countries. It may be said that Japan is short of human resources in this field, and her implementation systems are inadequate. We are fully aware of these deficiencies, and we are making every endeavour to improve our cooperation.

However, for qualitative and quantitative improvement of economic and technical cooperation, it is not enough for the government and government-related agencies to make all the effort. The wide understanding and support of the Japanese public is indispensable, and public participation in international cooperation is also essential. We also believe it will be important to further promote multilateral cooperation through cooperation with other countries and international organizations carrying out economic and technical cooperation.

Today's symposium was planned from these viewpoints, and we are looking forward to the frank opinions of the experts, from both Japan and overseas, concerning what Japan's role should be and how we should tackle this issue. We would also like to utilize your views to a great extent in our future operations for cooperation.

I would like to conclude my remarks by expressing my sincere hope for the great success of this symposium. Thank you very much.

OPENING SPEECH

Mr. Mitsuhide Yamaguchi
Chairman of OECF



Japan accounts for over 10 per cent of the world's GNP. It has also recorded large surpluses in its present account and has become the largest creditor nation in the world. Looking back, I see that Japan's development was made possible by the stable international economic order. Making positive contributions to the world economy has become one of Japan's major international obligations. Economic cooperation with developing countries is an important part of this obligation and as a consequence, the Japanese Government's Official Development Assistance was increased in 1987 to ¥1.78 trillion (US\$7.453 billion).

Even though the Japanese economy was under some strain, this large proportion was appropriated for economic cooperation and development. As can be seen in the fourth medium-term target, we are committed to further increases. To promote economic cooperation more efficiently and more effectively, we must have greater understanding and support from all groups in the country.

The world has begun to pay more attention, and have greater expectations of Japan's economic cooperative assistance than ever before. To improve Japan's economic cooperation with both developed and developing countries, we must obtain international understanding of Japan's programmes as well.

I will be very pleased if this "International Cooperation Day" Commemorative Symposium jointly sponsored by the Japan International Cooperation Agency serves to deepen, even slightly, our understanding of the nature of international cooperation in the world today.

MESSAGE

H.E. Mr. Noboru Takeshita

Prime Minister

(Delivered by Mr. Koichiro Matsuura, Director-General,
Economic Cooperation Bureau, Ministry of Foreign Affairs)



I take pleasure in extending a few words on the meaningful occasion of the "International Symposium on Development Strategy toward the 21st Century in Commemoration of 'International Cooperation Day,' " co-sponsored by the Japan International Cooperation Agency and the Overseas Economic Cooperation Fund, to discuss how international cooperation should be in the future.

The decision to designate October 6 as "International Cooperation Day" was made last year. As you know, the date was chosen to commemorate October 6, 1954, when Japan took her first step in overseas technical cooperation by becoming a member of the Colombo Plan. Thirty-four years ago, Japan started its modest contribution as a donor country while still at the receiving end of overseas assistance. Today, as the second greatest economic power in the free world after the United States, Japan has achieved an overseas development assistance of over 1 trillion yen, or 7.4 billion dollars. Although it is a fact that Japan lags behind other Western nations in terms of the accumulation of social capital, on the whole, we are able to live somewhat rich life styles. In the not-too-distant future, we hope to be able to build a country which is as culturally oriented as it is economically oriented.

Although the life style we enjoy today is certainly the fruit of the efforts of our own people, it has also been made possible because Japan is a member of this interdependent, global family, of which the developing and advanced nations

alike are members. Today, Japan owes it to the rest of its international family to restore the surplus wealth she has accumulated over the years.

I have long cherished the idea that Japan should contribute to the world by serving its best interests and I have striven relentlessly toward the realization of this initiative. In this respect, one of the concrete measures of my administration is to adopt an international cooperation initiative, a three-pronged policy aimed at expanding Official Development Assistance, promoting international cultural exchange, and increasing cooperation for peace. Our economic cooperation to developing countries will be mainly carried out by the expansion of Official Development Assistance. And toward this end, we set a concrete ODA mid-term target in June of this year. This five-year programme, beginning in 1988 and ending in 1992, calls for Official Development Assistance of more than 50 billion dollars. It also calls for the steady improvement of the proportion of Japan's ODA relative to our gross national product.

Furthermore, toward this new target, at the last Toronto Summit, I disclosed that we would expand measures which would substantially relieve the indebtedness of the least developed countries, and that this policy would apply retrospectively to 5.5 billion dollars of yen loans we had extended since 1978 over ten years. This is a concrete measure from Japan at a time when the international community is grappling to strengthen arrangements to tackle cumulative debt issues. Toward this objective, I am committed to do everything in my power to further promote Japan's contribution to the international community. Needless to say, this cannot be achieved without the understanding and cooperation of the Japanese people. I would be most pleased if through today's symposium, you are able to shed some light on the issues for the realization of more enhanced and superior international cooperation toward the 21st century.

I am told that many experienced and knowledgeable people from both home and abroad, including those related to the UNDP, will be participating at this symposium. I pray for the success of this symposium and look forward to many fruitful results through your frank and earnest deliberations. Thank you very much.

October 6, 1988, signed Noboru Takeshita, the Prime Minister of Japan.

COMMEMORATIVE SPEECHES

Japanese Development Assistance Policy



H.E. Mr. Sosuke Uno
Minister for Foreign Affairs

First of all, I wish to pay my sincere respect to the hosting organizations, the JICA (Japan International Cooperation Agency) and the OECF (Overseas Economic Cooperation Fund), which are Japan's leading aid implementing agencies, for jointly holding this international symposium, today and tomorrow, to commemorate International Cooperation Day. I am certainly very grateful for the opportunity to express my views today.

We have many participants in the Symposium from home and overseas. I welcome you all, and my special welcome goes to those who have travelled long distances to come to Japan for this meeting.

International Cooperation Day – October 6 – is chosen to coincide with the decision by Japan to participate, on October 6, 1954, in the Colombo Plan, which is one of the long-standing development organizations for the Asia-Pacific region. That was the first step for a post-war Japan to engage in overseas technical assistance shortly after regaining its independence. It is also the day dedicated for refreshing the thinking of the people as well as of the Government about the importance of international cooperation. I hope that this Symposium organized on such a special day will make great contributions to the stated objectives.

I understand the Symposium's task is to look into some of the challenges in development assistance as we look toward the 21st century. Before looking at

the future, and reviewing the 1980s, I would say that this decade has been marked, above all, by notable advances in interdependence in the international community, by opening-up or liberalization in a variety of senses, and especially by gains made by the market economy system. The open economic system has brought remarkable growth for a number of developing countries, in particular, in East Asia and the Pacific. Advances made by the Chinese economy that is pursuing an open policy and the "perestroika" in the U.S.S.R. for more economic efficiency are being closely watched by the world.

Unfortunately, however, if one looks at the situation surrounding developing countries, it is not all bright pictures; deep problems abound. In the 1980s, there were declines in the prices of primary commodities and other adverse factors which resulted in the deterioration of the economic conditions of many developing countries. The import income of these countries fell and direct investment from developed countries declined as well, and the worsening of indebtedness ensued.

According to a World Bank report, for the last few years the net flow of resources from advanced countries to developing countries – that is, the total official flow excluding grants and private long-term financing – has been negative. In other words, there is a "reverse net flow" from developing countries to developed countries and rectification of this trend is needed in order to have a sound development of the world economy.

In order to cope with these situations, various efforts are being made in the international trade, financing and development areas. We need to expand imports from developing countries. And in this regard, we see certain good trends. For instance, if you take Japanese statistics, clearly the current Japanese growth has come more from the expansion of internal demand than external demand. The figures of growth prospect for this fiscal year are 4.7 per cent for internal demand, and minus 1.0 per cent for external demand. In other words, the economic structure of this country has undergone a significant change from the previous external demand-led economy and is thus contributing to a better balance of the global economy. Especially for developing countries, Japan is providing a larger export market. For instance, for Asian NIEs there has been an increase in imports of 60 per cent in both 1987 and the first half of 1988.

Secondly, it is important to expand our investment in developing countries. Direct investment by Japan in developing countries has increased by 35 per cent over the previous year – an encouraging trend.

Thirdly, there is the question of the reduction of the debt burden of developing countries. In order to cope with this problem, various efforts are being made at the Economic Summit, the Paris Club as well as the World Bank/IMF

conferences that took place in Berlin last week. For low-income debtor countries, we need to reinforce governmental assistance, including provision of more concessional financing, to support their structural adjustments. Measures such as the write-off of official credit and other forms of debt relief are being taken or studied. For middle-income debtor nations, we have in place a case-by-case approach for the solution of their problem through restoring their repayment capacity, and the so-called "menu approach" is being elaborated to expand the choices available.

Now that Japan's economic strength exceeds 10 per cent of the world's GNP, and as the world's No. 1 creditor country, we clearly need to play a role befitting that status for the stability and development of the world economy through activities in trade, investment, and international financing. The Government will continue to do all it can in these areas with a positive frame of mind.

Having said this, what I think needs to be stressed in terms of my country's special contribution for the international community is development assistance for the economic and social development of developing countries, which account for three-fourths of the world's population.

Firstly, we have yet to see any major advances toward the solution of the North-South problem. Difficulties experienced in the poorest countries, in particular those in Sub-Saharan Africa and South Asia, show little signs of improvement but, rather, are worsening. Poverty problems which are of serious concern to all of us continue to be widespread. As a nation having an economic power second in the free world, Japan has a heavy responsibility to contribute to the solution of these problems, on humanitarian grounds as well as on grounds of the interdependence of nations in the international community.

Secondly, Japan has adopted the so-called Peace Constitution, renouncing war and rededicating itself to being a peace-loving nation. It may be an economic giant but will never become a military power. It should therefore be natural for such a nation to make as a major pillar of its national policy contributions to the stability and peace of the world through international cooperation, using the economic might which is the centre-piece of its national strength.

Thirdly, Japan has a history of transforming itself from a developing country into an industrially advanced nation and that transformation has been achieved in an environment which is historically and culturally quite different from that of the West. I think the history of the modernization and industrialization of Japan and the unique experiences it gained in the process can serve as a reference model for some Asian, African and other developing countries. Should that be the case, I believe that extending cooperation to them would constitute a truly international contribution befitting our nation.

In 1954, when we joined the Colombo Plan, the entire budget allocated for overseas assistance was a mere \$50 thousand. Since then, up until the end of the 1960s, we did receive aid from overseas, while at the same time trying to expand our aid to developing countries. However, since the latter half of the 1970s, the Government really began in earnest its efforts to expand economic assistance to match increasing economic power. In other words, since 1978, it has established four medium-term targets, in succession, to systematically increase the level of its official development assistance (ODA). As a result, for the past ten years, despite budget austerity which dominated the decade, Japan's ODA budget as well as the actual disbursement of it grew steadily.

The Takeshita Administration, under the banner of "Japan Contributing to the World," has adopted an "International Cooperation Initiative" as one of its policy measures to advance that objective. There are three main components therein, namely, cooperation for peace, promotion of international cultural exchange, and expansion of ODA. The last-mentioned is perhaps the most dominating and is a reflection of our sincere efforts for international cooperation based on the considerations mentioned above.

In June of this year, the Japanese Government announced a new medium-term target for ODA, that is, the Fourth Plan, covering the period of 1988 to 1992.

In 1987, Japan's ODA disbursement reached a level of \$7.5 billion, putting it in second place in terms of volume in the 18-member DAC nations, with a share of about 18 per cent out of a total of \$41.2 billion. However, compared to the 20 per cent share of Japan's economic strength, measured in GNP, within the DAC nations, 18 per cent is still inferior. So, our new objective is to raise the percentage share of ODA so that it will come at least in line with the percentage share of GNP in the plan period.

In other words, in the period 1988-1992, we aim to increase the aggregate disbursement of ODA to no less than \$50 billion. Many developing countries are suffering from the lack of funds necessary to pursue developmental efforts. Capital flow, including ODA, from developed countries has become stagnant and in some cases even reduced. So, it becomes extremely important for our country to continue to expand our contribution, so that the capital flow to developing countries, especially ODA flows, will not be diminished.

At the same time, we aim to steadily improve our ODA/GNP ratio. Japan's GNP is already huge, with an estimated ¥365 trillion for this year. It is a huge sum of money that could probably pay for building a super-bridge across Tokyo Bay every day of the year! Given this large scale of the GNP, it is not so easy to increase the ODA/GNP ratio. And some may argue that the comparison of the

contribution by each nation on the basis of the ODA/GNP ratio alone is too simplistic. However, we do believe that efforts should be made by donor nations to come nearer to the international goal of 0.7 per cent of GNP. In that sense, I consider that our stated goal of raising the ODA/GNP ratio, which is currently around 0.31 per cent, to at least the DAC average is significant.

Of course, Japan alone cannot meet the huge financial needs of developing countries, and I think it is imperative that other donors be encouraged to increase their amounts, too.

Besides the quantity aspect of ODA, the next thing to be said is the need to tailor our assistance in a manner that can best meet the requirements of the developing countries for their economic and social development, as well as for improving the welfare of their people. The means available must be responsive to the needs in an integral, flexible way.

For instance, there is a growing diversification of needs. Conventional sectors continue to be extremely important, such as expansion of industrial infrastructure, economic growth support, alleviation of poverty and hunger, public health and family planning, education and human resources development. But in addition to these, there have now emerged, for example, environmental problems, such as deforestation and desertification with far wider implications, requiring a more global attack, and air and water pollution problems, etc. I think such a diversification in development needs will become greater in the future and we need to be able to cope with them by having at our disposal a more diversified, flexible aid menu.

In response to some of these diversifying needs, we have increased the non-project type of assistance and local cost financing and introduced assistance for the rehabilitation of plants, etc., as the individual case demands. We will be providing more assistance in science and technology, cultural domains, and for environmental protection, etc., in accordance with the changing needs and requirements of the recipients.

Japan's bilateral ODA — about 70 per cent of the total is for bilateral assistance — has traditionally gone in its largest share to the Asian region, the ASEAN countries in particular. This distributional pattern is considered natural when one looks at the geographical, economic and historical ties that connect Japan with the countries in the region. Presently, Asia, particularly South-East Asia and the Pacific region, are witnessing a very fast and vigorous economic development and attracting world attention. If Japanese assistance, both capital and technical, which has been massively provided over many years for the countries in the region, has played a role in supporting the region's economic growth and development, we should indeed be very happy.

As far as the allocation of Japan's ODA is concerned, the Asian region will continue undoubtedly in its importance. At the same time, however, I think the time has come for us to adopt a wider vision in extending our assistance. Some of the Asian countries are already at a substantially high level of economic development, so on the long-term basis there will appear cases of countries where the emphasis should more appropriately shift from government-level assistance to private-sector cooperation. On the other hand, there is an urgent need in the international aid community to redouble assistance to Sub-Saharan African countries and other poorer regions of the world, which require special consideration due to the long-lasting stagnation and deterioration of their economies.

Japan has been improving and expanding its assistance to Africa, mainly to Sub-Saharan countries. As an example, starting last year, we have been extending a \$500 million unsecured, non-project grant, mainly to Sub-Saharan countries. Also, we will be implementing debt relief measures by providing more grant assistance to LLDC countries in Africa and elsewhere, which will be mentioned later, and we hope that the relative importance of Africa in terms of the share, including the assistance to Africa that goes via multilateral agencies, will increase.

Likewise, we will also be reinforcing our assistance to other regions of the globe, such as Central and Latin America, South Pacific, etc.

Having in mind all the points mentioned above, I would now like to touch upon the future policies of Japan's ODA.

Firstly, we will continue to put utmost importance on the increase of grant assistance to meet the problem of poverty, to promote rural and agricultural development, and to reinforce other basic-human-needs-related activities such as education and human resources development, public health and medical care, etc. We will also expand our debt relief measures to LLDCs, particularly to those in Asia and Africa, so that we will be virtually forgiving over the next 30 years the principal repayment and interest payment on yen credits amounting to some \$5.5 billion, which we have committed over the past ten years till fiscal 1987. This decision was announced in the Economic Summit at Toronto in June.

Secondly, technical cooperation. We are accepting annually about 6,000 technical trainees from developing countries on a government-to-government basis, about 2,000 Japanese technical experts are dispatched overseas, and about 1,800 Japan Overseas Cooperation Volunteers are operating in 37 countries. Technical assistance is important because it promotes technology and skills transfer and human resources development through the exchange and contact of people. In order to further our technical assistance, we will be recruiting more and better qualified people, including private sector technical experts with needed

skills and knowledge, as well as accepting more trainees in the private sector. More students from developing countries will also be accepted.

Thirdly, the importance of ODA loans (yen credits), which have played a major role for infrastructure building, a sector which is essential for economic and social development, will continue. We have tried to improve the quality of ODA loans by lowering interest rates and promoting a general untying. Currently the interest rate on ODA loans has been reduced to an average of 2.6 per cent. Taking into account the circumstances in Japan and abroad, we will further seek to improve the concessionality of our ODA loans as well as promote general untying. And we will be flexible in extending them to include policy support lending for developing countries which pursue structural adjustments and which suffer from debt burdens.

Fourthly, I wish to stress the mobilization of private sector resources and their participation in development assistance. Of special importance are the activities of non-governmental organizations (NGOs). They operate at the grass-roots level and are often effective in meeting the immediate requirements of people in need. They can play a complementary role to official assistance as well as play a vital role in ensuring people's participation in cooperation with developing countries. The Government, while respecting NGOs' independence, will be doing more in support of NGOs that are engaged in development activities. We would also like to promote support for those indigenous NGOs doing good work in their own countries.

At this juncture, I would like to refer briefly to the importance of what might be termed comprehensive economic cooperation. By this I mean both ODA and private sector cooperation. Economic cooperation should, of course, not be confused with export promotion measures by donor countries. For many of the developing countries saddled with debt problems, ODA alone will obviously not be enough to satisfy the financial requirements to sustain economic growth. Of concern in this regard is the very low level of private flows to developing countries from developed countries. If, in the circumstances, injection of ODA to act as a catalyst to promote the flows of private resources to developing countries is workable, then I think it should be tried. The Japanese Government announced in May of 1987 a recycling plan of over \$20 billion on a completely untied basis. The plan has been achieved at more than 70 per cent to date on a commitment basis. This is one example of the type of comprehensive economic cooperation I have spoken about.

Another example of comprehensive economic cooperation using ODA as "seed money" for attracting larger private resources is the extension of two-step loans through the establishment of the so-called "ASEAN-Japan Fund," which

has been recently concluded. In a similar vein, we have made some proposals to the DAC to make studies on the possible role to be played by ODA in promoting investment in developing countries.

So, on the basis of such comprehensive economic cooperation and certain other attractive concepts, we hope that ODA will be able to play a catalyst role to alleviate the debt issue and studies along this line deserve our attention.

Fifthly, about multilateral assistance. Assistance through international multilateral agencies have certain advantages such as the expertise and political neutrality they can assure which bilateral aid cannot. About 30 per cent of Japan's ODA, or \$2.2 billion, is disbursed through multilateral agencies such as the World Bank and the UNDP. We would like to further reinforce and enhance our subscriptions and contributions to the multilateral agencies for more multilateral assistance, as well as bilateral assistance. We would also like to increase the number of Japanese staff in multilateral agencies and also promote coordination and jointly-pursued projects and programmes between bilateral and multilateral assistance where appropriate.

The sixth point is the need to strengthen our aid management for implementing and executing assistance in the interest of greater efficiency. This should include an increase in the number of aid administration staff and country experts and improvement in project finding and project formation capabilities, among other things. It cannot be denied that here we lag behind some other donor countries and much needs to be done. We would also like to improve our coordination with private sector activities including utilizing the services of consultants.

These, then, are the objectives and tasks that lie ahead of us. Japan's ODA is expected to become the largest in the world in terms of volume this year, if not the next. Already, Japan is the largest donor of bilateral assistance to 25 countries. Quantitative increases must accompany qualitative improvements. The tasks pose a challenge that can only be met if we really endeavour and work with ingenuity. We shall face that challenge and are committed to make our utmost efforts. The most important thing, of course, is to ensure that the assistance we offer proves of genuine help for the economic development and improvement of people's lives in the recipient countries. Only by realizing those objectives will we be able to respond to the expectations, not only of our own people but also of the recipient governments and peoples. Only then can we say with confidence that our assistance has done its work in effectively assisting the self-help efforts of the recipient countries. And through our actually delivering the goods in that sense can peace and stability in the world advance.

Our experience as a donor country is limited compared with, say, the United

States or the European countries. We have only achieved substantial progress in aid over the past ten odd years. However, over that short time, I think we can take pride in the fact that we have been able to accumulate some substantial experience as a donor, and also that we have achieved certain results. We may in some respects have developed and devised what might be called a Japanese style of assistance. To say this, however, is not to deny that we are still on the learning side on a number of things, and it is important that we have the modesty to learn from other leading donors as well as from the multilateral agencies with their long experience and wisdom. Development assistance is joint work and joint effort between donors and recipients to achieve a common objective, so we must have dialogues with the recipients and avoid imposing the donor's will unnecessarily, and we must seek efficiency.

Needless to say, assistance is paid out of the taxpayers' money, so there must not be any waste and it must be administered effectively and efficiently. And we need to make the effort to keep and enhance the people's understanding and support for ODA by ensuring public access to information on aid activities, etc.

And I would like to voice my earnest request to all those in the Foreign Ministry and other Ministries and agencies who are responsible for aid policy planning and management, and to those who are responsible for implementation at JICA and OECF, to pay attention to these important considerations.

Finally, I would like to take this opportunity to express my deepest respect and appreciation to all those who are engaged in development assistance work overseas, and to their families, for their untiring and valuable work, often in difficult and hardship conditions.

There are other important points, but time only permits me to draw my address to a close.

Historically, in the past, countries with strong power have always played central roles and made substantial contributions in the international community. The United Kingdom, for example, contributed greatly to the development of the world economy through the Industrial Revolution, and also through its contribution to international trade, among other things. The United States, after World War II, also contributed to world security, free trade and the establishment of international monetary order, etc. It has played a leading role in promoting world peace and stability.

For Japan today, economic and development assistance should not be seen as a self-centred objective, expecting returns, nor should it be considered, in a passive sense, as a sort of price that must be paid to ensure the well-being of a country that is highly dependent on international trade for its survival. Rather, it should be seen as having a more positive significance for Japan's own future as

well as for world stability and development. If so, is it then too much to say that for Japan, a nation of enormous economic strength which has pledged never to become a military power, development assistance for less fortunate countries is a historical task worthy of the efforts that such a task entails?

I am convinced that this Symposium will shed light on this important issue from various angles. And I do hope for the great success of this Symposium and its contribution to our future.

Thank you very much for your attention.

Developing Countries and Japan

Dr. Saburo Okita

Chairman, Institute for Domestic and
International Policy Studies



Thank you very much. We have all learned that on this day in 1954 Japan became a member of the Colombo Plan. In the following year, 1955, there was a conference in Singapore on the Colombo Plan. Japan was there. It was our first opportunity to participate, and I was sent there on behalf of the Japanese Government, so I recall the meeting at that time quite vividly. The problems concerning international and economic cooperation have always been a part of my life and professional commitment. I have been given the theme of "International Cooperation and Japan's Role" to speak about today. Firstly, let us think of what is meant by development assistance. Toward the end of the 1960s, I was one of eight members who sat on the World Bank's Pearson Committee, the Commission for International Development, which was chaired by Mr. Pearson, the former Prime Minister of Canada. Various subjects were discussed, and I recall there being a considerable amount of discussion on the question: "Why is aid necessary?" The Pearson report elaborated on "partnership development," which today has become a classic form of terminology. However, the concept behind that phrase was that foreign assistance must be used in the best interest of the recipient country: to aid the economic development of that country.

In other words, the aid was not meant simply to be consumed domestically. Rather, as much aid as possible would be granted to countries that could use it effectively to develop their economy by raising their rate of savings or increasing

their exports. In the meantime, those countries would "graduate" from being recipients through their successes in economic development. Furthermore, when they reached a certain stage, recipients of the past would sit on the other side of the table and become donors. This was the most desirable result of extending aid, and was strongly asserted by the well-known scholar Professor Arthur Lewis, who was a member of the Committee. Therefore, one of the views that flowed from the Pearson Committee Report was an efficiency principle behind the granting of aid.

Of course, there was a great deal of criticism against over-emphasizing efficiency when giving aid, because a poor country with terrible conditions and difficulties could not be expected to start exporting or to increase savings overnight, and the poorest of the poor would not receive economic assistance because they simply could not use it to improve their economic performance. This meant that economic assistance would only be channelled to those countries that had the capability to use it well, and the poorest countries that did not have that capability would be cut off. This was not right. Moreover, economic assistance from the rich countries should assist the poor countries to achieve a minimum level of existence. The next phase was the basic human needs approach: the basic education, the basic nutrition, the basic food and clothing which should be shared, and which are the rights of all aided by the rich countries. Accordingly, the next principle was the welfare principle of economic assistance, which came after that of efficiency.

These two lines of thought were behind the concept of economic assistance. For example: the Republic of Korea and Taiwan are countries which, in the past, received aid from Japan and other countries. These countries of Asia have become very successful economically, and have "graduated." And, as in the case of Korea, are already starting to extend assistance to other countries. Therefore, the principle of efficiency, the first principle adopted by the Pearson Commission, proved rather successful in the case of Korea. But then there are the least developed countries: the LLDCs, the poorest of the poor. Economic assistance is not improving their lot. And as we all know, the situation is getting worse, not better. Consequently, for these countries, assistance in terms of the welfare principle is very important. There are also cases when both principles, or a compromise between the two, are necessary. In addition to these two, there is a third principle which has been recognized more recently in attempting to answer the question of "Why aid?"

This is the protection of the world's environment, which was mentioned by our Minister of Foreign Affairs. Various environmental problems of a global scale, such as the loss of tropical rain forests, desertification, the increase of carbon

dioxide in the atmosphere, and the problem of Freons, have been highlighted of late. For almost three years until spring last year I sat on the United Nations' World Commission on Environment and Development, which is chaired by Mrs. Brundtland, the Prime Minister of Norway. In spring last year the Commission published a report entitled, "Our Common Future," which has been read worldwide, and was referred to in the declaration at the Toronto Summit.

This is a reflection of our recognition that we must save and protect the environment, and that includes both the North and the South. It is a common task for all of mankind. The tropical rain forests account for some 7 percent of the land area on this planet. Fifty per cent of the living species on this earth make their homes in the tropical rain forests. If the tropical rain forests are lost, then those species, which are the common heritage of us all, will be lost. The development of biotechnology would even be inhibited if these species were to be reduced or lost. In other words, the protection of the environment is a common goal for all human beings inhabiting this planet.

Emil Salim, Indonesia's Minister for the Environment and a member of the Brundtland Commission, recently came to me and said, "Last year Indonesia's timber and timber products, including plywood, amounted to \$1.8 billion. They are second only to petroleum in export product earnings. We realize that we must preserve the tropical rain forests, but if we restrict timber exports our foreign currency earnings would decrease. Furthermore, we must clear the forests to develop farmland in order to increase the domestic production of foodstuff. This is a tremendous economic burden for the developing countries. If the preservation of the rain forests is necessary for all mankind, don't you think it appropriate that the countries who are economically able to cope, such as Japan, the United States, and West Germany, should extend some form of assistance toward that preservation? To be told simply that we must not cut down the trees is causing us a great amount of difficulty."

It is therefore important to recognize, as part of the principle of economic assistance, that we must all be responsible for the protection of the environment, and that means the principle of sustained growth. Resources should not be consumed in supporting our generation to the detriment of posterity. We must not leave an impoverished earth to our sons and their sons. This is the idea behind the principle of sustained growth, which was one of the main themes of the Brundtland Report.

We therefore have had the welfare principle, the efficiency principle, and thirdly, the principle of sustained development, which invites everybody, from North and South, to work together to preserve the natural environment. For example: the "better-off" countries could donate much more and contribute

much more to the preservation of tropical rain forests. In any case, starting from "Why aid?" these are some of the thoughts that have been developed. Of course, donors are also motivated by benefits to their national interest through the granting of aid, but beyond that, we believe that it is important to recognize these three principles.

Now turning to Japanese assistance, and the Foreign Minister, Mr. Uno, talked about this. For Japan, developmental assistance started after the war, and I think, in historical perspective, it can be divided into five stages. The first stage was where Japan paid out reparations to the Philippines, Indonesia, Burma and Vietnam to atone for our activities during the war. Since they were reparations to atone for what we had done during the war, Japan, of course, was not in a position to influence the way in which the recipients used that money. The money was sent on a request basis, which is still the basic principle on which Japan extends economic assistance. The fact that, fundamentally, Japan's aid is on a request basis is, I believe, linked to a respect for the sovereignty of the recipient country, and in a historical perspective, to the fact that aid started with the payment of reparations.

The second stage was assistance with the ulterior motive of expanding Japanese exports. In 1958, Japan extended the first yen credit to India. By extending that yen credit, Japanese machines, capital equipment and plant, could be exported to India. Additionally, the yen credit would be used to develop resources which would be useful to Japanese industry. This invited criticism. However, if one considers that in 1958 Japan's per capita income was \$280, relatively speaking, Japan would be at the receiving end today. Japan extended its first yen credit in the belief that it would help both Japan and the recipient country, and given the conditions Japan faced at that time, perhaps it was only natural. It was not particularly fair to say that Japan extended economic assistance only to expand exports. That sort of criticism still persists, but it comes out of that sort of historical experience.

The third stage was generally about 20 years ago when Japanese assistance was considered to be a part of Asian policy; economic assistance was an extension of our diplomatic and foreign relations with Asian countries. The Asian Development Bank was established at that time, and the Japanese Government offered advice and extended assistance. Japan also sponsored ministerial meetings of the ministers of development, and extended assistance to Korea and Taiwan. Therefore, during this third stage, emphasis was placed on extending assistance to Japan's Asian neighbours. Perhaps this was also natural. Japan's economy was not particularly strong, and she tried to be a good neighbour. As mentioned by the Foreign Minister, 65 per cent of ODA is going to Asia, although the ratio is de-

creasing. It started out as a part of being good neighbours, and naturally our primordial concern is with the people who live closest to us due to our diplomatic, cultural and historical ties. Therefore, the third stage of economic assistance was characterized by an orientation toward Asia, which can still be seen in our present policies for the extension of assistance.

The fourth stage of Japan's development assistance started with our tremendous economic growth. It was a period in which Japan's economy became the second greatest GNP in the free world after that of the United States; Japan became a country with economic power. Our policies for assistance also gradually became global, and the world as a whole had to be taken into consideration. Japan's aid to Africa and Latin America also continued to expand during this stage.

The present stage, can be called the fifth stage of development policies, in which aid is extended from foreign currency surpluses. Japan, as you know, has a large surplus in her international balance of payments, which last year amounted to more than \$80 billion, and which must be recirculated around the world. However, if we entrusted this surplus to market mechanisms most of it would go to the advanced countries. It would probably flow to the United States to buy treasury bonds or real estate, or to build factories in Europe. If we leave our policies to market mechanisms, they tend to follow economic principles, that is, to seek as much profit as possible. That, in turn, means the flow of capital would go mainly to the advanced nations. Without appropriate policy efforts, sufficient capital would not flow to the poor countries and the developing countries.

That is the reason why, at the Venice Summit in May of last year, the then Prime Minister, Mr. Nakasone, pledged \$20 billion to developing countries over the following three years. In the previous year, 1986, aid totalled \$10 billion, which included the International Development Association within the World Bank, the soft loans of the Asian Development Bank, and contributions that Japan makes to IMF accounts. Together with the \$20 billion that Mr. Nakasone promised in Venice, this totals \$30 billion. This constituted the major policy for the use of our surplus to assist developing countries.

The \$30 billion, which is completely untied, is offered to developing countries over a three year period, and although the funds are coming from Japan they may be used anywhere: in the U.S.A., in Europe, or in Korea. As of the end of September this year about 80 per cent of the \$30 billion has been distributed as promised. This consists of the \$10 billion previously promised, and about 70 per cent of the \$20 billion that was promised in Venice. This then is what we call the fifth stage: the development aid programmes of Japan as a surplus nation.

At the Toronto Summit, Mr. Takeshita pledged more than \$50 billion in

ODA over the following five years, which is double the \$25 billion for the previous five years. Additionally, we have what is known as private investment assistance, which last year amounted to about \$33 billion. One-third of this amount is directed to developing nations, while the remaining two-thirds is directed to advanced nations. This means that \$10 billion is flowing to developing countries in the form of private assistance. Therefore, the \$10 billion per year promised in 1986, as well as the \$10 billion per year pledged in ODA, plus perhaps \$10 billion in the form of private-sector investments, part of which is overlapping, means that Japan is providing about \$25 billion per year to developing countries.

As our Foreign Minister mentioned, there is a net flow of funds from the developing countries to the advanced countries. Five or six years ago advanced countries were providing about \$40 billion to developing countries. However, in the past few years, on a net basis, developing countries are returning as much as \$30 to \$40 billion annually to advanced countries in the form of debt service costs, etc. There are a number of reasons for this, but if we look at the total picture, we cannot accept this as a sound formula. The fact that the poorer countries, are in some form, returning \$30 billion to the rich nations is a very big problem.

One reason for this is that the United States has become the largest debtor nation in the world. Due to the worsening of their international balance of payments, the United States is attracting much capital flow from Japan, Europe, and Central and Latin America. I believe that this is one of the major reasons why the flow of funds is being reversed. The United States should try to rectify this situation as soon as possible; to do something about their deficit and once again become a creditor nation. Japan is running a surplus, our savings rate is quite high, and so we should play a more assertive role by providing more assistance to developing countries.

Over the past two years, I have also participated in a study on how to use the Japanese surplus to improve the efficiency of the world economy. The study was carried out jointly by the World Institute for Development Economics Research (WIDER), located in Helsinki, and the United Nations University in Tokyo from the year before last to early last year. The Finnish Government has provided about \$25 million to establish this institute in Finland, and I happen to have a seat on the Board. Along with two other former IMF experts, we submitted a report on recycling surplus capital.

It is said that Japan should coordinate redistribution of \$25 billion over five years to the developing nations, and it seems that Japan is approaching that target. At least it has come fairly close to the attainment of that figure. Japan will

have to continue the role of fund provider to poor and developing countries, which can take the form of ODA, or other forms such as private-sector direct investment. This is something that Japan must do to show that she is indeed doing something for the world. And this assistance should not be interpreted as a means of increasing exports, although Japan did, indeed, do so to increase exports in the past. The present situation is quite different, and I hope that our friends around the world will understand that the nature of Japanese assistance has changed.

Now, in regards to the methods in which we provide aid, and the need for a qualitative change of development assistance, I would only like to say two or three things, because I am running out of time.

In the past, Japanese assistance was used to develop infrastructure, such as roads, ports and harbours, and so on. This is understandable because having a well-developed infrastructure serves as the basis for economic development, and Japan had offered a loan with low interest of about 2.5 per cent to 3 per cent for as long as 25–30 years. I believe that this loan has played a positive role in some countries, because without a developed infrastructure private enterprise cannot work very well. However, I do believe we need to diversify the content of our development aid. There are many different aspects to development aid, and Japanese assistance has tended to emphasize the projects related to infrastructure, but there is another form: technical assistance. Our level of assistance in this area is also lower than that of other countries however it is still fairly positive.

If one looks at the current situation in developing countries, one can see that their capabilities are changing. In the future, I believe that we will need to provide more aid for their research efforts. It is of no use simply to transfer technology to developing countries that do not have the necessary basic research or technical capabilities to accept it.

An example is the eradication of infectious diseases. In the past tuberculosis was a serious problem in this country, but this is not so anymore. We had a large number of medical specialists and facilities to take care of those people who were infected. Although tuberculosis is disappearing in developed countries, the incidence of it and other diseases is on the rise in the developing countries, and I believe that Japan must help their medical research. This does not mean that we simply dispatch a group of doctors and build a few hospitals, although this could also be helpful. We must do more. We should help them establish their own facilities for research to fight these diseases, and this is an area that Japan has intentionally avoided in the past.

Canada, in this respect, is very aware of this need. At that time, Mr. Pearson of the Pearson Committee, told me that there are no institutions in Canada

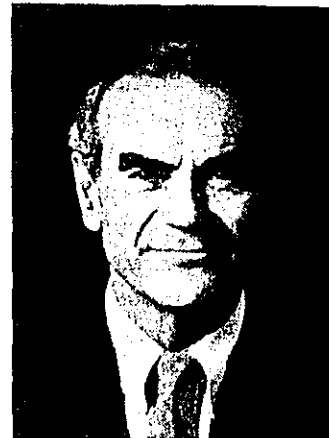
similar to the United States' Ford Foundation or the Rockefeller Foundation and that there are no private sector funds that could serve as channelling organizations. That is the reason why the Canadian Government has to play a more important role in offering assistance, and why the International Development Research Centre (IDRC), which is very active today, was established in Canada. The Government spends more than \$100 million for this institute annually, and more than half of the board members are non-Canadian. American foundations, I hasten to add, have been providing very valuable contributions to international aid efforts.

I have visited the International Rice Research Institute (IRRI) in a suburb of Manila, Los Baños, twice, and they have developed a new breed of rice that has brought about an increased yield of rice in tropical areas. It has been increasing rice production in Asia for more than ten years. I understand that the establishment of this institute was jointly funded by two private institutions, the Rockefeller and Ford Foundations. Later, additional funds were received from the World Bank and the governments of various nations. Therefore I believe that it is time for Japan to enter this new area of research assistance: to enhance the research capacities of other countries, or to provide assistance for research necessities. I believe that an assistance policy which would enable a more effective implementation of these forms of research is necessary.

Mr. Uno also mentioned that research capacities, as well as research efforts, should be emphasized as far as development research is concerned in this country. I believe that academic resources should be realigned to carry out more research work. Of course, we must carry out much more research work in order to introduce Japanese experience and knowledge, not just money, to the outside world. There are many other things which need to be done, however, this kind of intellectual developmental assistance must be provided, and I believe we have come to the stage where we must develop some good ideas for the Japanese assistance policy involving substantial and intellectual assistance.

Thank you for your attention.

Assistance Reviewed from the Standpoint of an International Agency



Mr. William H. Draper III
Administrator, United Nations Development Programme

Ohayogozaimasu. Dr. Okita and I decided that he should speak in Japanese and I should speak in English, much to my relief. Mr. Yanagiya, Mr. Yamaguchi, Mr. Matsuura, and Dr. Okita, my old friend, thank you so much for inviting me to participate today in this important occasion, on Japan's International Cooperation Day, the day that celebrates Japan's participation in the Colombo Plan, back in 1954. Much progress in Japan and many changes in the developing world in that time.

As you know, many of the UNDP senior staff are here today to share this day with you in Japan, and it's particularly appropriate that we all be talking about development in a country that has been an inspiration, not only throughout Asia, but an inspiration to the world in development. Japan, with an abundance of human resources and a serious lack in physical resources has proved the human dimension in development. The Japanese miracle has caught everybody by surprise, and Japan itself can no longer fail to take the leadership that is thrust upon us — thrust upon Japan. It has the burden of leadership in development. It's fitting that our senior management training seminar should take place in a capital where this leadership is being promised and delivered. Japan has contributed in net official development assistance, ODA, to developing countries and the multilateral agencies \$9.3 billion this year, up from \$3.8 billion just three years ago. This is firm evidence of the great strides that Japan has made in sharing

the fruits of its labour with the developing countries. And the United Nations Development Programme, UNDP, is proud to play an important role in helping Japan to deliver its stepped-up aid funds to the less developed countries. I'm pleased to recognize that Japan has been increasingly emphasizing the role of the multilateral institutions in assisting developing countries in their economic and social development. We heard this morning that 30 per cent of its ODA is now going to multilateral institutions.

We're also pleased that its financial contributions to UNDP have been steadily rising over the past decade in dollar terms. Contributions for this year are expected to reach \$86 million. That's up \$10 million from last year. We're also grateful for the counsel and the advice and the active support that is given to our Governing Council, and also the increasing number of Japanese professionals that have been joining us to help UNDP carry out its mission more effectively. Toshiyuki Niwa, one of our resident representatives, is in the audience today. As you know, we've been requested to provide management services for Japanese bilateral assistance valued at nearly \$120 million in nine African countries, through our Office of Project Services, OPS. We're setting up a special section in OPS to handle this assignment.

We believe UNDP can also play a major role in helping Japan achieve its humanitarian goals, through our efficient multilateral assistance programmes. We want to continue this partnership in a very aggressive and growing way. In order to enable us to be more relevant and effective in assisting developing countries and expand our technical cooperation activities in these countries, we in UNDP require the continuous support of all member countries, and in particular the financial support of Japan and other major donors. We're deeply impressed by the commitment that Prime Minister Takeshita has recently made to the international community to supply \$50 billion over the next five years — that's \$10 billion a year — and this really puts Japan solidly in the lead in the aid business. In several years, it will clearly be delivering more aid than any other country in the world. Today it is, as was reported again this morning, delivering the largest aid packages in 25 developing countries in the world. We are hoping that it will spread more in other parts of the world, away from Asia, in that Africa is suffering so badly today and needs so much help. And that commitment is there as well. With so many developing countries struggling with massive debt burdens and undertaking structural adjustment programmes, there is a pressing need today for the means to help these countries manage their programmes. In the past, there has been a tendency to make loans or commit aid funds to countries without really thinking through how the countries are going to manage to put those funds to the most effective use. Japan is noted for its strong manage-

ment capability. It's a leader in this field. And we at UNDP would now like to invite you, Japan, to join us in launching a major effort to provide effective management guidance to the developing countries. In June, at our UNDP Governing Council meeting, there was a creation of a \$60 million management development programme to help countries address problems arising from structural adjustment. We regard this fund as only seed money which will be augmented by other contributions from the donors, and other multilateral aid organizations. The concept is to help countries as a management consultant, in a very high level way, and we would like Japan to be the first nation to contribute a matching \$60 million to that fund, on a one-time basis, as an experiment to get this programme launched in a solid way.

Now, I'd like to tell you a little bit about the critical role that UNDP plays in the development process. We have offices and operations and projects in 112 countries. We have additional projects that extend to 152 nations and self-governing territories. We have some 4,500 people around the world, most of them are nationals working in their own communities. We have leaders of those teams in the field that are with us today, about 20 of them. They come from all kinds of cultures, backgrounds, and they are willing to serve in any country in which we are operating. I mentioned Toshiyuki Niwa from Japan. He's been our resident representative for the past four years in Nepal, and is now moving to Thailand as the resident coordinator in that country. Erling Dessau from Denmark serves in Bangladesh. Charles Larsimont, from Belgium, served in Mali for a number of years, and is now moving as the resident coordinator for Mozambique. Carroll Long, serving in Laos, from the United States. And Turhan Mangun, from Indonesia, another developing country, serving in the Philippines today. We work closely on coordination throughout our effort, and our mandate is to coordinate aid of all types going toward health, education, industrial development, economic advice, all of this is the result of a coordinated effort at the field level, and it's the network of field offices that makes this such an effective, important programme to the donors, who are trying to get the most for their investment. We also coordinate the United Nations Fund for Population and the World Food Programme in the field. These resident coordinators are the representatives of those institutions. Our projects, as I say, vary from health and education and many other fields – they run from aviation technology to zoology. They go from A to Z. All of our assistance is grant technical assistance, in contrast to what the World Bank largely lends money for, which is capital assistance. And even their technical assistance is typically supportive of capital projects: power plants, schools, highways. Ours is geared toward training, toward feasibility studies, toward new ideas from one man or woman to another man or woman across

borders. We have donations that reached \$1.1 billion last year. That was up 10 per cent from the year before, and that was up 10 per cent from the year before that. But for many years, for 15 years, we were flat in real terms. It's important that this organization continue to grow. It's important that Japan, as the leader in the aid business, support this organization in the future as enthusiastically as it possibly can.

Now let me say that our whole effort is toward human resource development. And I would submit to you that human resource development is based on five energizers. There are five energizers that can make the most out of human resources: education, health and nutrition, high quality environment — physical environment, employment, and finally political and economic freedom. I believe education is the root of all development. No matter which aspect we look at, education is a critical measure for improved conditions of life. In the last 40 years, adult literacy rates in developing countries have doubled. They've increased from 30 per cent to 60 per cent and that's the good news. The bad news is that the remaining 40 per cent are all illiterate. And they're going to be the hardest to reach. I was in Ramkrishnapur, with Erling Dessau, a little town up in the middle of Bangladesh, and I saw a school. Thirty boys and girls entered at first grade. Five years later, nine graduated from fifth grade. And the others were pulled back to the farms as they grew stronger physically, and education took the back burner to economic survival. And the girls were pulled out faster than the boys, and that's been traditional, and that's a serious problem.

More bad news at the micro-rural level is that education is being shortchanged and the quality of education is deteriorating as low-income countries struggle at the macro level with their massive structural adjustment programmes, and somehow it seems as if every month we read about a new physical tragedy that has occurred from droughts to floods. We all know that money spent on building schools and hiring teachers does not generate immediate foreign exchange. But I think we tend to forget that building a school is a solid investment. While dollars spent on power plants and ports can have a high return, the investment in teachers and schools can have an even higher return. There's a critical need for all of us to focus on the long-term future in estimating the pay-off in education. Dr. Saburo Okita came to New York and spoke as our Paul Hoffman lecturer in 1986. And he talked about the Japanese experience, and particularly emphasized education. He said that the success in Japan has been based on the fact that the base of the education pyramid is the solid underpinning of development in Japan, and the strong priority on education has led to the successful development that we are all so aware of today. The Japanese investment in education has been a wise decision. I spoke of education being

shortchanged in some developing countries. For example, in 1972, the low-income countries, excluding India and China, allocated 13.2 per cent of their central government resources to education. Sad to say that by 1985, and it's dropping still, it reached 7.6 per cent. Went down from 13 — almost cut in half, the investment in education. And what does that mean as we look toward the next century? If population growth and declining investment in education continue at current rates, there'll be more than one billion illiterates on this planet at the turn of the century. We can't let that continue. We've got to somehow turn the priorities back to education. The unhappy truth is that education is being shortchanged in the favour of military spending in most of those low-income countries.

And let me just pause here for a minute to say how proud I am of joining, two and a half years ago, the United Nations. Because I think that in the last ten, fifteen years, the United Nations has been hurt badly by bad press, and super-power aggressiveness. But thanks, of course, to the superpowers getting along better, the United Nations has really come through in the last six or eight months. It's incredible the degree to which peace is breaking out all over. And it almost seems as if every month we read about a new agreement that the United Nations was involved in, whether it's Afghanistan, Iran-Iraq, whether it's Cyprus, the Syria problem, whether it's problems of other types of peace efforts, they're going on. And, for example, in Afghanistan, that was the accumulation of eight years of hard negotiation in Geneva, and it all came about and came to fruition with the Russians deciding to go home, but without the mechanism of the United Nations, to put a plan in place, it wouldn't have worked. So let's hope that some of those military savings that are going to be occurring over the next few years will be reinvested in education. Clearly, if we accept education as the basic underpinning of human resource development, these negative trends of recent years must be drastically reversed. "Dollars for scholars" should be the first priority of all governments in the world, in the developing world particularly, or none of them will be prepared for the 21st century.

Good health is another essential for human resource development. Again there's been some improvement. Life expectancy in the developing countries is rising. But it's still far short of the 76 year life expectancy of citizens in the industrialized countries. Likewise, infant mortality in low-income countries has been on a gradual decline, reaching 8.9 per cent in 1986, but it's still nowhere near the 1 per cent or less than 1 per cent rate that's reported by industrialized countries. Again, the UN and UNICEF specifically have been very aggressively making progress in this field. Debilitating malnutrition is a constant threat to the health of millions in the developing world. In famine-stricken Africa, agricultural

production is growing at 1 per cent per year, and the number of people is growing at 3 per cent per year. Africa is worse off today per capita than they were 20 years ago in food. Besides food, clean water and sanitation are essential to world health. In the eight years since the International Drinking Water Supply and Sanitation Decade began, we have succeeded in bringing safe drinking water to half a billion more people and a quarter of a billion more have been supplied with new sanitation facilities. That was the good news. The bad news: 1.2 billion individuals are still without safe drinking water, and nearly 2 billion still have their health threatened by lack of sanitary facilities. It's hard to imagine here in this wonderful city of Tokyo how bad things can be in other parts of the world. Only when people are free from crippling or debilitating diseases, can they realize their full human potential. And though it's essential to devote more financial resources to human health, much can be accomplished by better management of existing resources. By deferring construction of an expensive urban hospital for five years, Pakistan managed to increase immunization coverage, in other words preventative maintenance, for its children from 5 per cent to 75 per cent. They covered three-quarters of their children with immunization where it had only been 5 per cent before. And that prevents some 100,000 children from dying every year. Another aspect of good management: in Kwale, near Mombasa in Kenya, my wife and I visited a water pump system in a village that was designed so that women could maintain it. It's called an Afridev pump and UNDP has supported very aggressively clean water, therefore clean sanitation, therefore good health. And this is an amazing thing to see -- these women in the villages, so excited about having clean water in their little area. And we take it for granted. Better management, meaning organizing to have a cheap water pump easily maintained in a developing world, better management can lead, and does lead, to better health.

Another example: I visited a UN volunteer, a British entomologist on the border of Kampuchea and Thailand, where UNDP has the responsibility, and Toshiyuki Niwa will have this responsibility, to manage the water and food going up to 250,000 people who have been pushed out of their country, and Thailand won't accept them as members of their country. They're people without a country, many of whom have been there for the full eight or nine years that this has been going on. Fifteen or twenty per cent of them were born there. And I saw this British entomologist and she was barefoot, working in a laboratory, and she had been given full credit from everyone I talked to for bringing some knowledge to that part of the world on malaria. She singlehandedly brought down the rate of malaria by 80 per cent in one year in that part of the world, in that 250,000 person jail. Now, this is development at work, transfer of ideas, skills,

knowledge. Her education made a major difference to those 250,000 people. And now she's working on getting rid of the rat population, and she's not worried about being able to do that. She's worried about the next step, which is the insects that had been making a home on the rats may get to the people. So these are the kinds of things that go on in development. They're individual little stories that are so important to so many people.

High quality physical environment is another basic requirement for human resource development, and Dr. Okita covered it very well. It includes adequate housing as well as environment which will sustain the world's population. Today about a third of the world's land surface is threatened by some form of desertification. And parts of the Sahel deserts are overrunning farmland at a rate of ten miles per year. It turns rangelands into dustbowls. Each year, biologically rich tropical forests covering an area the size of Austria are being slashed and burned to clear the land for agricultural production. And Dr. Okita again mentioned the importance of that tropical land – tropical forests. Our quality of life and health are also threatened by a diminishing ozone layer, the greenhouse effect, polluted air and water. Perhaps nowhere in the problems of attaining decent living conditions are more dramatic than in the giant metropolises in the developing world. From the slums of Cairo to the favelas of Rio de Janeiro the conditions today are appalling. Over the next 12 years, the already burgeoning urban population of the developing world is expected to swell by 750 million people. By the end of the century, some developing world cities will have reached staggering sizes. It's estimated that 17 of the 23 cities that have over 10 million people will be in the developing world. On my long ride in from the airport, I tried to imagine how Tokyo could slip into third place, but it's going to happen. Mexico City will be bigger by the end of the century – Mexico City's population will be bigger than that of Canada. Even to maintain today's marginal standards, most countries will have to expand such urban services as water, sanitation, transportation, communications, they've got to increase them all by 65 per cent in 12 years, in order to just stay even.

Adequate employment is the fourth human resource energizer. But steeply rising populations again are causing major problems. They pose the threat of massive unemployment. In Kenya, which is one of the world's fastest increasing populations, about 4.1 per cent per year, an estimated 330,000 new jobs have to be created each year to keep a stable employment situation. Overall, it's estimated that the developing countries will need to have created new jobs for 700 million people by the end of the century. And that's more jobs than currently exist in the industrial world today. Incredible. Without work, people will continue to lack the means to purchase the basic necessities of life or to invest in their future or

their children's future. Unemployment and underemployment are pushing more and more people across the line into critical poverty. There are some 80 million people in Latin America who are in critical poverty today. The President of Colombia took it upon himself to lead an attack on critical poverty, and we at UNDP joined very enthusiastically, and yet the problem seems almost insurmountable. It's a problem that's pervasive in the developing world, it's a problem of alarming statistical proportions, it's a problem that we've all seen: ragged men clutching their possessions as they sleep on city sidewalks, naked infants with distended stomachs, sub-teen girls forced into prostitution. The world's got to focus on these problems. We must help develop meaningful employment to alleviate these individual tragedies. But work must be more than a means of attaining a subsistence living. It's a channel for people to develop their talents and their energies to the fullest, to contribute to society and realize their own full potential. A hardworking person is typically a happy person. In order to encourage the creation of new jobs in the developing world, the industrialized nations have a responsibility. They must keep their markets open, goods and services have got to flow both ways. Protectionism is the enemy of the developing world, the enemy of development, as it is the enemy of consumers in the industrialized countries. The developing countries must be willing to create a climate which realizes the energy and entrepreneurial spirit of their citizens.

And that brings me to my fifth foundation of human resource development: political and economic freedom. People must have a democratic voice in their own development. Just today, Foreign Minister Uno mentioned the freedom of information and its importance around the world, and said that we must stress it more. Pakistan's Minister of Finance, and now he's Minister of Finance, Commerce and Planning and Development, and a very key fellow in Pakistan, Mahbub ul-Haq, has stated, and I quote, "A human-based development strategy can only be decentralized, involving community participation and self-reliance." It is ironic to declare human beings as the ultimate objective of economic planning, and then to deny them full participation in planning for themselves. Laudable objectives of human development are sometimes adopted in national plans which are naturally frustrated since the beneficiaries are given little to say in actual planning and implementation. And that's the simple truth, but one that is often overlooked.

As well as political freedom, people must also have economic freedom to participate in their own development. The freedom to be entrepreneurs. The freedom to perform in a busy society, in a productive way. The freedom to do what they do best. The private sector is a potent engine for development. You know it here in Japan, you're a leader. It can unleash the dynamism, creativity,

and talent of individuals throughout the world. That message is not getting across rapidly enough to the developing world. Give men and women a free hand to manage their own development, and a permanent stake in that development, and they will work miracles for themselves, for their countries, and for their communities. I would submit to you that it's an essential key to creating the 700 million jobs that I talked about that are needed over the next 12 years. Attaining new economic growth and achieving the new social goals which are appropriate to successful human resource development as we look to the 21st century is the key.

Human capacity is the most important resource that a country possesses. As I said, Japan has little in the way of natural resources, and yet it's the fastest growing large industrialized country in the world. It's through human creativity, initiative, capability, and commitment that true development can be achieved. Development means releasing human energy. It means providing an opportunity for people to make the maximum contribution to their own development and to the self-sustained development of their communities.

Now let me set before this audience, and in particular our resident representatives who are in the room, some issues that relate to the ability of UNDP itself to respond effectively to the everchanging environment of development. I would hope that they would consider, as they begin on Saturday meetings together with JICA, how they might answer some of these questions. I put these questions before our Governing Council in Geneva in June, and that's our body that sets our overall policy. And now I put them to our Res-Reps. Should UNDP assume an even greater coordinating role? Do governments — recipients and donors — want UNDP to play a bigger role in aid coordination? If so, will they help reinforce that role? How do we encourage them to do it? In other words, should UNDP's central funding mandate be reinforced, and how do we bring that about? What about the scope of the whole programme? In senior management, we recognize two worlds of development, and feel the pull from different directions. At one end, the more basic needs of the least developed. At the other, we have sophisticated economies, such as Brazil, China, India, and Korea, with complex demands for UNDP to meet. High-level advisory roles in economic planning, debt management, high technology development — they're all demanded of us, and we must meet that requirement, or we are not being relevant. Can we continue to serve both ends of the spectrum — the very poorest and the most sophisticated developing country? If so, how can we do it best? How do we maintain timely aid delivery, when projects have moved from the more basic to projects of greater complexity and sophistication? These require time to design and formulate. And how do we do that? And what are the devices for project execution in the future? We expect to work closely with the specialized agencies, but already we see an

accelerating move toward government's project execution, and closer collaboration with non-governmental bodies, such as universities, research institutions, and consulting firms – how do we meet that challenge? What are the implications of greater government project execution? In some instances, this has already led to a decrease in some agencies' shares in traditional sectors of development aid. But isn't this also a sign of success? Is it time for governments, agencies, and UNDP to reach a new division of labour? Should agencies start to concentrate on more and more complex and specialized projects?

How will UNDP attract and retain the high calibre of staff that the next decade will demand? UNDP will need to attract men and women with the intellectual capacity and vision to meet the development challenges of tomorrow. Working as we must under the constraints of the UN salary system and conditions of service, how can UNDP regain lost competitiveness in the marketplace, because we have lost our ability to compete with the private sector because we're not able to meet the competitive wages. How can we reach and attract the brightest and the best from around the world to serve the developing countries? How can we do more with the people that we have?

Are we thinking too small about resources? Instead of looking for a single-digit annual percentage increase in contributions at 8 per cent a year that was agreed to by the Governing Council several years ago, should we not push for a tripling of the size of the programme before the year 2000? We're going to need help, by the way, from Japan and other donors, to do this. Overseas development aid is on the increase, and the multilateral system distributes only a relatively small portion of that total assistance. Are we failing to impress on the donors the importance, efficiency, and impartiality of the multilateral system? Increasingly, the problems of today are multinational in nature: AIDS, desertification, water pollution, the Afghanistan emergency, to name but a few. Have we sufficiently made the point that these problems must be tackled on a multilateral level? Is UNDP more helpful to the interests of developing countries if our self-supporting management services becomes a multi-billion dollar operation? Or would such a trend detract from our core programme and the multilateral nature of our operations?

How can we further enhance our role in the area of human resources? Can we do more than we now do, even though our programmes are already heavily oriented toward the human dimension? How can we improve management? How can we get Japan to help us do this job? How can we take measures to encourage governments to make human resources development the centrepiece of their national development planning? What part, if any, should UNDP play in helping alleviate the debt burdens of developing countries? We're already advising

Argentina on some of its debt problems, and we're doing that in some other countries — Costa Rica and others. Should we be doing that more actively? Should IPF allocations be changed to take into account debt distress as well as population and GNP?

But we see the extraordinary challenges, and I know you see them too. Recognizing the increasing needs of the least developed countries, the human dimension, and a growing number of critical poor, noting the environmental hazards that we face, aware of debt problems, structural adjustment demands, anticipating new problems such as massive unemployment and development of huge urban sprawls, should we not now start finalizing plans for the UNDP of tomorrow, and the partnership with Japan that will be so productive tomorrow. We at Headquarters cannot do these things alone: we need your input, we need your ideas, we need your commitment.

Nineteen ninety to the year 2000 will be a decade of great and diverse developing country demands — in need of extraordinary solutions. I want to see, and I am sure that all of you want to see, UNDP gearing itself up for that purpose. And I know that Japan is doing the same. We need a dialogue on the future. I challenge you, as those who will be on the front line, to respond. I'm sure Japan, the other donors, and certainly the developing countries are counting on and will support your efforts.

Thank you very much.

PANEL DISCUSSION I

Theme

How Japan can best assist developing countries' structural adjustment efforts, with particular reference to regional factors?

Background

In the 1980s, as a result of the unfavourable economic performance of many developing countries in the 1970s, the international aid community has altered its economic assistance strategy, from a project-oriented to a macroeconomic policy-oriented strategy. Most aid agencies have advocated Structural Adjustment Lending (SAL), focusing on reform of macro-economic policies, such as monetary, public finance and trade policies, and Sector Adjustment Lending addressing sectorial policy issues.

Japan is among the donors promoting such lending, with its share of these types of lending increasing rapidly.

Economic performance among the various developing countries is uneven, as there are clear differences in economic conditions among the Asian, African, and Latin American regions. Asian countries, especially certain countries in East Asia, have shown favourable performance as a result of their export-oriented policy. Latin American countries generally suffer from a heavy debt burden. Most African countries are still struggling, with limited success, to build their economic foundations.

Therefore, when designing adjustment programmes which SAL-type lending is intended to assist, we should adopt different approaches, based on the characteristics of each region. In this Symposium, based on the above perception, we shall analyze the economic conditions/factors of each region, and discuss, from the viewpoints of both donors and recipients, what assistance related to SAL-type lending should be extended, especially by Japan.

Subjects of Discussions

- (1) Current State of the World Economy and Economic Assistance to Developing Countries
 - a. How has the international economic environment for the developing countries changed?
 - b. What problems are confronting developing countries in general as a result of such changes?
 - c. What policies are developing countries adopting to solve the problems arising from those changes?
 - d. What assistance, especially ODA, have developed countries and multilateral agencies, including the IMF and the World Bank, undertaken to help developing countries solve their problems?
- (2) Problems of Developing Countries and Directions for Structural Adjustment
 - e. What are the most serious problems each region faces (debt problems, export promotion, industrialization, mobilization of domestic resources, population control,

proliferating public-owned corporations, choice of technology, monetary and finance policy, etc.)?

- f. Given those problems, what structural adjustments should be made in each region?
 - i. Region-by-region review of existing and past structural adjustment efforts and assistance for those efforts
 - ii. Problems and solutions by region

Note: The regions here are Asia (South, East), Latin America, and Africa.

(3) Defects of Assistance for Structural Adjustment Efforts to Date and Japan's Role in the Future

- g. Has assistance for structural adjustment efforts by multilateral agencies, including the IMF and the World Bank, and bilateral donors been adequately adapted to the characteristics and factors of each region?
- h. Are there not inherent limitations to the effectiveness of both multilateral and bilateral assistance where structural adjustment is concerned? What are the limitations, if any, especially those related to the IMF, the World Bank, and Japan?
- i. What role should Japan, which has a recent history of transition from being a developing country to a developed one, and will soon become the largest donor of assistance in the world, play?
- j. Traditional project-type lending may be considered effective from a long-run perspective. What, then, is the optimal volume ratio mix between SAL-type lending and the traditional project-type lending for each region?



Chairman

DR. MASARU YDSHITOMI

Born in Nagasaki Prefecture in 1932, Dr. Yoshitomi was graduated from the Department of Liberal Arts (International Relations) of the University of Tokyo in 1957. In 1962 he received his Ph.D. in Economics from the University of Tokyo and joined the Economic Planning Agency. After serving as Deputy Director-General, Economic Research Institute, he was appointed Director of the General Economic Branch of OECD from September 1984 to May 1987 and has been Director-General of the Economic Research Institute, Economic Planning Agency since June 1987. During this period, he was a Guest Fulbright Researcher at the University of Pennsylvania from 1966 to 1967, an Economist at the IMF in 1974 and a part-time instructor of the University of Tokyo (Theory of International Currency).



Keynote Speakers

MR. SHOICHI KOJIMA

Born in Akita Prefecture in 1944, Mr. Kojima is Director of the Overseas Research Division, Research Bureau, Economic Planning Agency. After graduating from the Department of Liberal Arts (Mathematical Science) of the University of Tokyo in 1967, he entered the Economic Planning Agency where he has been serving ever since. During this period, he has been seconded to the UN Headquarters (N.Y.) from 1973 to 1976 and to the UNCTAD (Geneva) where he served as primary product economist in relation to OPEC and product agreements from 1980 to 1983. In 1985 his services were loaned to the Foreign Ministry to serve as Councillor of the Japanese Delegation to the OECD (Paris) and he made strenuous efforts dealing with the Japan-U.S. economic imbalance and international cooperation.



DR. TORU YANAGIHARA

Born in Tokyo in 1948, Dr. Yanagihara is Chief Researcher of the Institute of Developing Economies. After graduating from the Department of Liberal Arts (International Relations) of the University of Tokyo in 1971, he entered the Institute of Developing Economies. Since 1987, he has been in his present position. His major areas of interest are Economic Development and International Finance. During this period, he earned a Yale Graduate School Doctor's Degree in Economics

in 1976 and was a Consultant at the World Bank in 1983. He became an Assistant Guest Professor at the Institute of Economic Research, Hitotsubashi University in 1988. He has conducted a basic survey for the promotion of a loan supported economic policy in 1987 and a survey related to the structural adjustment issue and its direction for Southeast Asian countries in 1988. He also took charge of a study group on Japan's Official Aid to developing countries in the same year. In this way, he has engaged in considerable survey and analysis work for economic cooperation policy decisions.



MR. A. DAVID KNOX

Born in 1925, British. Mr. Knox is Special Adviser to the Overseas Economic Cooperation Fund (OECF). In 1947 he was graduated from the University of Toronto in Economics and was a reader of Economics at London University (LSE) from 1955 to 1963. Since 1963, he has had World Bank experience as follows:

- 1963 Loan Officer (Argentina), Western Hemisphere
 Department
- 1968 Director, Public Utilities Projects Department
- 1972 Director, Projects Department, Latin America and the
 Caribbean
- 1980 Vice-President, Western Africa
- 1984 Vice-President, Latin America and the Caribbean
- 1987 Retirement



MR. MIGUEL J. SCHLOSS

Chilean. Current Chief, Industry and Energy Division, Africa Technical Department, World Bank. Former Division Chief of Industrial Development and Finance in Eastern and Southern Africa. Was World Bank's Chief of its Colombia, Paraguay, and Uruguay Divisions in Latin America. Graduate of Catholic University of Chile and Columbia University of New York.

YOSHITOMI: First, Mr. Kojima will present his views on the world economy, particularly in the context of LDC structural adjustments: whether international world economic circumstances are favourable, if so in what aspects, or if unfavourable, in what aspects. This will be followed by a 15 to 20 minute presentation by Mr. Yanagihara, who will cover the same issues in relation to the developing countries of Asia. Mr. Knox will discuss structural reforms in the Latin American countries, followed by Mr. Schloss on Africa. And then I think we shall have a coffee break. After the coffee break, we have free discussion among the panellists, but concentrating on policy issues: what IMF and the World Bank are doing, reasonably good or not, whether the donor countries are doing a good job or not, where we should improve in terms of policies. Therefore, our meeting is scheduled to finish just before five o'clock or so.

KOJIMA: Thank you, Mr. Chairman. Distinguished guests, ladies and gentlemen. It is my great honour to be here on the Day of International Cooperation to discuss with you about the structural adjustment policies in the developing countries. Organizers of the conference asked me to make an introductory remark by drawing a broad picture of where we stand now.

Let me divide my intervention under three headings: first, the world economic situation; second, the problems of developing countries; and third, structural adjustment policies and assistance. The third subject will be discussed in detail later in the session, as indicated by the Chairman, Mr. Yoshitomi.

First, the world economic situation. Developing countries tend to regard their external economic environment as given or imposed from the developed countries. On the contrary, the developing countries themselves have often made important decisions which profoundly affected not only their domestic economies, but also the international economy as a whole. Resource price shocks in the 1970s are an example. Inflationary conditions had already been building up in the developed countries prior to the oil shock: the ratchetting up of the wage-inflation spiral, the excessive expansion of monetary aggregates, and stimulative fiscal policies and global synchronization of economic expansion in 1972. Against this background, international commodity prices rose rapidly, culminating in the first oil price shock in 1973. A brief recovery was followed by the second oil price shock in 1979–80.

Resource nationalism was at its zenith. Raúl Prebisch's thesis of a secular decline of the terms of trade for raw materials seemed to have been reversed. Real incomes were transferred from resource-poor to resource-rich countries. Low absorber OPEC countries became a major financial power in the world. Resource-rich developing countries and high absorber oil producing developing countries eagerly absorbed the recycling of the oil money. However, the resource optimism

was short-lived as economic forces responded with a vengeance to the new situation, leaving the legacy of the 1970s. Firstly, developed countries plunged into deep stagflation. In OPEC I, accommodative monetary and fiscal policies were generally taken. The budget deficit in Japan and Germany expanded to 3.5 per cent of GNP; inflation reached 20 per cent in Japan and 10 per cent in the United States. In OPEC II, monetary policy in the United States was severely tightened in November 1979 to put inflation under control. The deep recession and skyrocketing interest rates profoundly affected the world economy, including the developing countries.

Secondly, the resource prices increase stimulated resource development in traditional importers, for example North Sea oil development and the Common Agricultural Policy in Europe. It also stimulated resource and energy-saving innovation and the shift of the industrial structure, particularly in Japan. Energy consumption per unit of output declined by 50 per cent since 1970 in Japan and 30–40 per cent in the United States and Europe. Thus, the resource price hikes in the 1970s permanently reduced the prospective demand growth for oil and non-oil commodities produced in the developing countries.

Thirdly, resource-poor but industrializing countries in Asia, now called NIEs, had virtually no alternative but to expand manufactured exports.

Fourthly, resource-rich developing countries increased borrowings on the international financial market to maintain their standard of living and finance ambitious investment projects on the assumption that the world recession would soon be over, and the resource prices would resume their upward trend. However, the long recession and the high interest rate aggravated their heavy international debt burdens.

Lastly, industrial countries have generally placed a high priority on reducing the budget deficit, leaving less resources available to poor developing countries, especially in Africa.

The recovery of the developed countries' economies started in late 1982, extending into the longest expansion since the 1960s. However, the recovery accompanied yet another set of economic difficulties, namely, the widening US budget and current account deficit, a high interest rate and high dollar, and the current account surplus of Japan and Germany. Since 1985, industrial countries have been preoccupied with the task of reducing external imbalances while maintaining non-inflationary economic growth through international policy cooperation. As a result, the value of the dollar has almost halved vis-a-vis the Japanese yen and the Deutsch mark, the short-term interest rate has declined, and the current account surplus of Japan and deficit of the United States are finally showing signs of decline: they now stand at 2.5 to 2.8 per cent of their respective

GNPs.

Despite the stock market crash in October 1987, the developed countries have shown remarkable resilience. The IMF now expects a US growth of 3.9 per cent this year, Japan 5.8 per cent, and Germany 2.9 per cent. Thus, the present situation of the world economy is both favourable and unfavourable to developing countries. Firstly, the expansion of international trade is a favourable aspect. Secondly, the low interest rate contributes to an easing of the debt service burden. Thirdly, the major exchange rate realignment opened up the opportunity for the developing countries to expand their share of international trade by replacing Japan and Europe. This is favourable especially for the manufacturing exporters among the developing countries. Fourthly, the reductions of the current account imbalances among major developed countries contributes to a more stable foreign exchange rate and stable financial markets. As the United States reduces its dependence on the international capital inflow, more funds may become available to the developing countries. However, the integrated international financial market requires the efficient use of money, as funds increasingly pursue more profit and less risks. Thus, an increase in the financial flow does not necessarily mean an increased inflow to all the developing countries alike. Lastly, the developed countries recognized the limitation of demand management policies, and have increasingly attached importance to structural adjustment policies based on market mechanisms such as deregulation, privatization, tax reform, budget deficit reduction, training and education for adapting to innovations, research and development for industrial development, and so forth.

The free play of market forces is believed to mobilize and promote efficient allocation of resources, encourage entrepreneurship, and lead to a higher economic growth. This changing policy attitude is at the background of the structural adjustment approach to the development problems.

I now turn to the second subject, the problems of developing countries. The current world economic situation which I just described generally favours the Asian countries, and adds to the plight of Latin American and African countries. In Asia, the success stems from the outward-oriented export promotion strategy to expand manufactured exports and to reduce the dependence on primary commodities. The NIEs continue to move up the ladder of industrial sophistication, from labour intensive manufactured goods such as textiles, and standard technology products such as steel and ships, into high technology sectors such as automobiles and electronics. Once heavily dependent on primary commodity exports, the ASEAN countries are expanding their labour intensive manufactured exports. China is emerging as a dynamic economy in the Asian region. Initially following the socialist strategy of heavy-industry-oriented development, China is

now adopting a strategy similar to that of its neighbours. India has also adopted more market-oriented development strategy and is increasing its growth rate. And East and Southeast Asian countries, together with Japan, are becoming an integrated market where mutual trade is expanding rapidly.

In contrast, the Latin American countries are on the verge of the crisis of economic development. Rich in raw materials and early in industrialization, the traditional strategy of dependence on raw materials exports and import substitution in manufactured goods are now at the core of the problem. Raw materials are not generating sufficient earnings to pay for the debt, while the import substitution policy hinders the expansion of manufactured exports. Inefficient industries have been protected from external competition by import barriers, government subsidies, and artificially high exchange rates. To honour debt service obligations, the Latin American countries have adopted austerity measures and curtailed imports to generate trade surplus. The result has been weak and sometimes negative growth of per capita income and prolonged period of negative investment growth. Thus, Latin American countries are faced with the danger of a permanently weakened growth potential in the future.

The difficulty of the Sub-Saharan African countries is much more basic in that it mainly stems from severe natural conditions and political instability, and that the maintenance of basic human requirements is in danger. Superimposed upon it are the problems similar to the Latin American countries: even heavier dependence on raw materials, import substitution of manufactured goods, heavy external debt, and a degenerating spiral of negative economic growth.

This brings me to the third and final subject of structural adjustment policies and assistance. As stated before, there is a growing trend in the developed countries to attach importance to structural adjustment to enhance economic growth. An increasing number of developing countries have equally recognized the need for structural adjustment policies for several reasons. For instance, for the repayment of the debt, the Asian example clearly shows the superiority of the outward-oriented manufactured exports promotion in comparison with raw materials exports or import substitution. And to bring inflation under control, budget deficit should be reduced to avoid monetization. And to increase food supply, the food prices, which are kept artificially low, should be raised to encourage more production.

The Baker initiative in Seoul in 1985 gave a strong impetus to expand such efforts. The World Bank started the Sectoral Adjustment Loans in 1979 and the Structural Adjustment Loans in 1980. They grew from 4 per cent of the total bank lending in 1979-80 to 24 per cent in 1987, amounting to a cumulative total of US\$15.3 billion. They account for one-third of the bank loans to the

highly indebted, middle-income countries, but less than 10 per cent for Asia.

The priority areas are as follows:

First, a mobilization of domestic resources through fiscal, monetary, and credit policies, including revenue-enhancing and expenditure-limiting measures to restrict public sector or external borrowing.

Second, improving the efficiency of resource allocation and use by the public sector, including rationalizing public sector programmes and privatization.

Third, reform of the structure of economic incentives in order to reduce distortions and promote more efficient resources allocation and productive economic structure. The policy includes the trade regime reform and price system reform.

Turkey is reported as the largest recipient of structural adjustment loans, totalling US\$2.5 billion, and one of the most successful cases of structural adjustment. However, structural adjustment policies have often encountered strong domestic resistance as it inevitably touched most politically sensitive areas. Just as in the case of developed countries, structural adjustment is a process of trial and error, and requires strong political determination. I will stop my intervention here, and put off the discussion of such a structural adjustment policy to the discussion session.

Thank you for your attention. Thank you, Mr. Yoshitomi.

YOSHITOMI: Thank you, Mr. Kojima, for a very clear-cut explanation of the situation in the world and LDC. Then may I turn to Mr. Yanagihara, on Asia?

YANAGIHARA: Thank you very much, Mr. Chairman. Well, I find it rather fortunate that I'm assigned to cover Asia. We can start with a positive note, I hope, with some caveats and footnotes here and there. But overall, as all of us are aware, the Asian experience has really been a success story of economic development, and I hope that I can also tell you that it has also been a success story of structural adjustment. Before going into a detailed discussion of individual cases, I'd like to organize my talk into two parts. The first part covers middle-income countries, and specifically I'd like to mention Korea and four ASEAN countries, namely, Malaysia, Thailand, Indonesia, and the Philippines. The second part covers the low-income countries: China, India, Pakistan, Sri Lanka, Burma, Bangladesh, and Nepal. I don't think I have much time to spend on each country, but there has been a rather remarkable contrast in the growth performance between the middle-income country group on the one hand, and the low-income country group on the other. During the 1970s, middle-income countries generally achieved higher growth rates than the low-income countries in Asia. During the 1980s, however, the growth rates of middle-income countries with the sole exception of Korea, went down. In low-income countries, the

growth rates that had been achieved in the 1970s were more or less maintained, and in some cases actually went up. The most spectacular case is that of China, whose growth rate doubled from 5 per cent during the 1970s to 10 per cent during this decade. This is something we should be aware of at the outset. And also, in terms of financial flows, mention has already been made of negative financial transfers that are currently taking place from the Third World to the developed world, which is true for each and every middle-income country in Asia. Therefore, net financial transfers are negative, so far as middle-income countries are concerned. But appearances could be deceiving. I shall be touching on differences between middle-income countries soon. But so far as low-income countries in Asia are concerned, net financial transfers remain positive for each and every low-income country in the region, and in some cases, it is actually increasing. This contrast brings me to a conceptual question of what structural adjustment is all about, or in what context we can discuss structural adjustment in Asia. In relation to middle-income countries, all of them faced balance of payment difficulties in the early 1980s. That was true with Korea, and that was true with the oil-importing countries of Thailand and the Philippines. And subsequently, as oil prices weakened, the oil-exporting countries of Indonesia and Malaysia also had to face balance of payments difficulty and balance of payments adjustment. For middle-income countries, structural adjustment could be considered in the context of external account adjustment necessitated by balance of payments difficulties. When it comes to low-income countries, however, that is not always the case, and that is definitely not the case with major countries such as China, India, Pakistan. Their economic reforms were not necessitated by the balance of payments difficulty as such. They made a political decision to modernize their economies or to make their economies more efficient, or at least less stagnant. Those cases constitute, in my view, a sort of structural adjustment in a broader sense, to the extent that structural adjustment is defined as the medium-term policy change and medium-term institutional reform, in order to build the basis for long-term sustainable growth. So in low-income countries, structural adjustment was motivated, generated domestically, rather than being necessitated by external difficulties.

To some extent, that is also true with smaller countries such as Sri Lanka and Bangladesh. In both countries, economic reform came with the change of government as a government committed to a more liberal economic philosophy came into power, although in those cases there were certain difficulties with their external accounts. Therefore what really brought it about was perhaps a mixture of the both. Nevertheless, that indigenous element of structural adjustment is definitely there.

Within middle-income countries, let me discuss the Korean case. Korea had a very serious economic situation in 1980 with its growth being negative, inflation being about 30 per cent and the current account deficit amounting to 6 per cent of GDP. However, Korea's turnaround was quick and vigorous, and represents a model case of adjustment with growth. Over a period of three or four years, inflation came down from 30 per cent to 3 per cent, the current account deficit was virtually eliminated, and throughout that adjustment period, growth, instead of being reduced, actually accelerated. The secret, the key to that successful adjustment was the growth of manufactured exports. And in my view, the same story has been unfolding in Malaysia and Thailand over the past couple of years. There again, it is the rapid growth of manufactured exports that has made the simultaneous achievement of growth and balance of payment adjustment possible. And by now, they are well on the course of sustainable growth, so far as macro pictures are concerned. Maybe there are problems – structural problems here and there – but so far as macro pictures are concerned, I believe that they are already firmly on the course of sustainable growth.

Indonesia and the Philippines are not in that successful group yet. Indonesia has been achieving the same pattern of transformation in the sense that their manufactured exports have been growing very vigorously. But starting from a small base, their impact still remains limited in terms of affecting the overall balance of payments situation, and the overall growth situation. But I believe that Indonesia is following the pattern of Malaysia and Thailand. It will take some more time before that same mechanism begins to make its effect felt on the performance of the overall economy. The Philippines is a slightly more difficult case. I believe that the only scenario, the only workable scenario is also that of a manufactured exports-led growth. But Filipino manufactured exports have been rather stagnant over the 1980s, and I am not sure what set of policy reforms, what set of institutional reforms would be able to vitalize it so that the East Asian success story could be realized there. But as I said, I believe that's the only scenario.

Now, the low-income countries of China, India, and Pakistan, seem to be committed to continuing their economic reform. And they do not have immediate balance of payments difficulties. But as they continue their drive toward modernization, toward accelerated growth, they could face the balance of payments constraints, and therefore, in low-income countries as well, export promotion would become important agenda sometime soon. And even if overall balance of payments situation is all right, the opening up of the economy would certainly help increase the efficiency of the industrial sectors. In least developed countries, to come up with a convincing scenario for structural adjustment that

would lead to long-term growth is much more difficult. There, I feel that there are structural imbalances in terms of the gap between import need and export capacity, and investment need and savings capacity. And that is why we have been providing official assistance. In what way and to what extent should we require stabilization in terms of narrowing those structural imbalances? And structural adjustment – to what extent can we expect the capacity to respond to changes in policy environments? Also, what kind of long-term growth scenario can we come up with? Should we be advocating manufactured exports there as well, or should we pay more attention to the agricultural sector? I actually see some prospects for manufactured exports for very poor countries as well, but I tend to be a little bit more careful in addressing low-income countries. As has been emphasized this morning, human resources development is certainly very important, institutional development is very important, and those are all long-term tasks. And also, markets need to be developed; private sectors need to be developed. So one cannot simply assume that policy changes would automatically produce responses. So maybe in least developed countries, we need to develop a somewhat different approach to structural adjustment, emphasizing not the framework as such, but human ingredients and institutional ingredients.

Well, finally, let me conclude with some messages. As I already emphasized, the success of middle-income countries in Asia depends very much on the growth of manufactured exports. Korea was able to take advantage of the growth of the US economy in the early 1980s, and could increase its manufactured exports. Thailand and Malaysia have been able to take advantage of the appreciation of the Japanese yen, Korean won and Taiwan yuan, and they presented themselves as the most efficient producers, or manufacturing sites for increasingly broad areas of industrial activities. I believe that as long as this trend of increased transnational industrial activities continues, there is room for other middle-income countries, and opportunity for low-income countries to join in this trend of increased flows of trade and direct investment. In the Asian context, I believe that targeting or orienting the structural adjustment in terms of increasing manufactured exports can be more easily visualized than in other regions. And I hope to see that success of Korea, Malaysia, and Thailand will be replicated in other countries in Asia.

Thank you.

YOSHITOMI: Thank you, Mr. Yanagihara. I found your debates on the definition of structural reforms or constituency of the reforms depend upon the stage of economic development in developing countries rather interesting, but we can extend these discussions further later on. So now I turn to Mr. Knox on Latin American developing countries. Please, Mr. Knox.

KNOX: Well, thank you very much, Mr. Chairman. And let me just say I am very glad to have this opportunity to talk to this very distinguished audience on some of the problems of structural adjustment and sustained economic development in Latin America.

By way of preface, I would just ask you to keep in mind that the Latin American countries are very rich in natural resources, and very rich in terms of trained people. And indeed, this is a region of the world that experienced, in the 1960s and 1970s, very rapid growth indeed. Rates of growth between 5 per cent and 7 per cent were quite common in the Latin American countries in those two decades. But, and here one comes to the sad part of the story, in the 1980s, they have suffered a tremendous setback. Between 1982 and 1983, the gross domestic product per head of Latin America as a whole fell by about 10 per cent, and if one looks at gross national product, which is a rather better indicator of economic welfare and social welfare, it fell by just about 15 per cent in those two years. Now since then, since 1983, there has been some economic recovery, but it has been comparatively slow. Gross domestic product has been rising at possibly about 4 per cent a year, but allowing for the very rapid rate of growth of population in these countries, that translates into a rate of growth per head of population of, at best, 1 per cent or a bit more. I agree that in many parts of the world a 1 per cent improvement in output per head would be greeted with joy as a great achievement. In Latin America, however, it represents a rate of expansion that is well below the potential of these countries, and indeed a rate of expansion that has not restored income levels to where they were in 1980. Indeed, there are some countries in Latin America today, where income levels are still below where they were in 1970. So clearly something has to be done.

Moreover, the debt crisis, which is the way in which people often think of Latin America today, and which started in 1982, is certainly no nearer a solution than it was six years ago. Indeed, if you look at the usual ratios by which people measure severity of debt and the problems it causes – the debt to export ratio, for example, that is worse today than it was in 1982. There has, I agree, been some improvement in the last couple of years, but not sufficient improvement to reduce the ratio to even the levels of 1982, which were too high for comfort.

Now, of course, as with all generalizations, there are exceptions to what I have just said. There are countries which have been experiencing a rate of growth of output of 5 per cent a year or better, significantly better in some cases. This is true of Colombia, it is true of Chile, it is true of Uruguay, and there are others as well. There are countries also where the debt-export ratio has been falling more significantly than for the region as a whole. But the general picture is clear unfortunately that Latin America has suffered a severe setback in the 1980s, and

much has to be done to try to enable those countries to get back onto a path of sustained growth.

Now what has to be done? Clearly, one can only answer that question by looking in detail at individual countries because they vary a great deal. I certainly cannot do that in the course of a short talk this afternoon. But I hope at least I can talk about three elements in the solution, on which I think there is now a great measure of agreement in the Latin American countries themselves. There are, I would suggest to you, three imperatives for resuming sustained growth. The first is to reduce inflation. The second is to increase – and more particularly – to restructure exports. And the third is to increase savings and, in consequence, investment. Let me take each of these very briefly and in turn.

I start with “reduce inflation,” which I would regard as probably priority number one, for two reasons. Firstly, of course that inflation is still a very serious problem in Latin America. To quote again an average figure, inflation last year, in 1987, ran at over 180 per cent. And of course that is an average; it means, like all averages, that some were doing better, some were inflating less rapidly than that, but there are quite a few, obviously, with a rate of inflation much above 180 per cent. And the second reason for putting a priority on reducing inflation is that with inflation of that order of magnitude, it is, to say the least, extremely difficult to make the other changes that are necessary for sustained economic growth. It is obviously very difficult to increase savings. It is very difficult to ensure efficient investment because inflation distorts investment decisions to such an extent. It is equally very difficult to strengthen and restructure exports, because the faster you devalue – these countries have to devalue to stimulate exports – the faster inflation goes, and up go costs, and therefore it is more difficult to expand exports. All of that I think is very clear.

So firstly they have got to try to do the things that are necessary to bring inflation under control. That unfortunately means cutting government budget deficits, controlling money supply, and this brings one to one of the institutional weaknesses of many of the Latin American countries: they suffer from weak tax administrations. They suffer also from weak controls over public expenditure. These, of course, are things that can be remedied, but they cannot be remedied in a hurry. And that is one reason I think why the Latin American countries have been having difficulty in bringing inflation under control. And of course, bear in mind that it is also very difficult to reduce public expenditure, and to increase tax revenues when you are at the same time trying to take the measures that are necessary to restimulate growth. That implies investment, including public investment. And so this has been, and many countries have found it to be, a very difficult thing to achieve.

Nevertheless, there have been some important successes. Bolivia has had remarkable success in reducing inflation. It depends on which figures you care to listen to, but two years ago inflation was estimated at anything from 10,000 per cent a year to 20,000 per cent a year. At that point, of course, statistics cease to mean anything. But the Bolivians by 1987 had got inflation down to about 50 per cent, and with a little bit of luck, I think they will have it down to about 10 per cent this year, which is a remarkable change. And there are others likewise: the Chileans have reduced inflation, the Colombians have reduced inflation, the Uruguayans have reduced inflation. But at the same time, there are also some serious problems: in Argentina and Brazil, two, after all, of the biggest economies in Latin America, inflation this year is running at anything between 500 per cent and 800 per cent, which on anybody's standard is impossibly high.

Therefore, priority number one is to stabilize and reduce inflation. The second priority is to try to increase and to restructure exports. Let me just say by way of background to this that if one looks at Latin American economic history in the last two or three decades, or perhaps even more, one will find that one of the recurring problems there has been weakness of the balance of payments. In country after country, this has, at one time or another, imposed a severe constraint on economic growth, even in the period of the 1960s or the 1970s, where as I said earlier, there was a very rapid expansion of output. Even in those years, there were times when countries were constrained or impeded in their expansion because of weakness in the balance of payments.

Now, contrary to common belief, the Latin American countries have already done a great deal to strengthen their balance of payments – or to expand their exports. Indeed between 1980 and 1984, the volume of exports rose by no less than 30 per cent, which I think you would agree is a respectable rate of expansion. But, unfortunately for Latin America, 75 per cent of those exports are exports of primary commodities: exports of commodities that had been experiencing a sharp drop in prices throughout the 1980s. And the unfortunate consequence for Latin America has been that, while the volume of exports has risen by 30 per cent, the value of exports today is just about where it was in 1980. The price reduction has offset the volume increase. But one has to ask the question, however, in Latin America – and here of course there is a big difference between the newly industrializing countries of Asia that we have just been hearing about – why is it that 75 per cent of their exports are still primary commodities? I think there is a good reason and, unfortunately, a bad reason. The good reason is of course that these are countries that are rich in natural resources. They have great resources of both agriculture and minerals, and therefore it is easy for them to export primary commodities. That is a good reason. There is, unfortunately,

also a bad reason. And that is that for, I suppose the past generation or more, the fundamental basis of international trade policy in Latin America, in so far as it applied to manufactured goods, was to favour import substitution against export promotion. And I think it is a policy that has cost Latin America a great deal. Now, it so happens, in fact, that most Latin American countries have a very important industrial sector. In many of them, indeed, the industrial sector is much more important than agriculture, and much more important than mining. Not true in all, of course, but in many that is the case. And the big policy change that is needed in Latin America, and indeed is taking place today because there has been a big change in thinking on all of these problems in Latin America, is to try to remove this bias in international trade policy against the export of manufactured goods, and indeed to encourage the export of manufactured goods. And if one looks at recent changes of policy in countries like Brazil, Chile, Colombia, Mexico, more recently Argentina, and one could name more, indeed, countries like that, one will see a very big shift taking place in international trade policy. And I am confident that in the coming years, one will see a considerable strengthening of the Latin American balance of payments, because one will see a diversification of exports. Primary commodities will still be important, but they will no longer account for 75 per cent of total exports. Manufactured exports will become, relatively speaking, much more important. But, and unfortunately there is always a "but" in a lot of these things, and I come to the "but." But of course to make these new trade policies work, I don't think it is sufficient just to have a competitive exchange rate, which Latin American countries have today. It is not sufficient just to change the price signals through changing import tariffs and quantitative restrictions and doing these other things. One needs more than that. And I think, again, experience in the countries of East Asia has shown often that one needs more than just getting price signals right. It needs a lot of things, but certainly it needs investment. It needs investment in manufacturing industry itself. There is also great scope for investment in agriculture in Latin America because, while perhaps one doesn't want to push more agricultural exports, there's certainly scope for more efficient agriculture import substitution in agriculture in Latin America. And it needs, of course, investment in supporting infrastructure. It needs investment in transport systems. It needs investment in communications systems. And if one looks further ahead as one ought to, of course it needs big investment in education, to provide the trained people who will be needed for the changed economic structure of Latin America in the future.

And that brings us, of course, to the third imperative, which is that it is necessary to increase savings and to increase investment. One of the unfortunate consequences of the recession of the 1980s has been a sharp fall in investment.

Total gross investment in relation to gross domestic product in 1980 was running at about between 22 and 24 per cent, a very respectable figure. Today, it is more likely between 15 and 17 per cent, which is simply too low. And there are countries, indeed, where it is much lower than that. It is estimated that investment today in Argentina is as low as 10 per cent of gross domestic product. It is barely sufficient to keep the existing capital stock in place, and certainly not sufficient to expand it or to improve its efficiency.

Now, how does one do this? It is, unfortunately, very difficult to increase savings, and therefore to increase investment, when gross national product is, as I said earlier at the beginning of my talk, something like 15 per cent below where it was in 1980. It is even more difficult to do so when inflation is running at the level that I was talking about a short time ago. And, of course, the difficulty of increasing investment in Latin America is greatly increased because ever since the sharp drop in foreign lending to Latin America, which started the debt crisis in 1982, Latin America has been making large net transfers to the rest of the world. Let me just give you some figures on this. There are probably, I think, only two countries in Latin America today that are paying principal on their debt: they are Colombia and Venezuela. The rest are not paying principal. It's all being rescheduled, postponed to sometime in the 1990s or thereabouts. But most of these countries have continued to pay interest on their large external debts. And those interest payment alone amount to something between US\$30 and 35 billion per year. That is to be compared, incidentally, with merchandise exports of about \$90 billion, so you can see the proportions are singularly unfavourable. Now it is true there has been a certain amount of net lending, net inflow of capital into Latin America, largely as a result of the forced investment, agreed to under various refinancing schemes for Latin America. But the net result of all of this outflow of interest payments and a smaller inflow of net investment has been that Latin America has been making net transfers to the rest of the world of something like \$20–25 billion a year. In other words, here is a region which is heavily indebted, which is desperately in need of capital for its development, but which is in fact financing the rich countries of the world. It is transferring capital or transferring resources to the United States, to Europe, and, if I may say so, even to Japan. I hope that everybody here is grateful to the Latin Americans for their contribution to your economic expansion.

Now with such a drain, it is not surprising that economic recovery has been so slow in Latin America. Now the industrial countries could help by lending more to the Latin American countries. In a speech I made in Tokyo in February 1986, I suggested that if the industrial countries would lend to Latin America something like \$20 billion a year – a large amount of money, I agree that it

would not be sufficient to close this gap, but at least it would be sufficient to make such an impact on Latin American expansion that one could look forward to a much more rapid recovery of Latin America. I would still stand by that figure though I would regard it today perhaps as a rather conservative one. They really need more. So that there is a big need for action to increase capital inflows into Latin America. But let me say that better still would be action to enable those countries that have strong stabilization and adjustment programmes to renegotiate their debts so as to be able to reduce their total debt service. If those external debts could be renegotiated so that total debt service could be brought down, it would have some very obvious beneficial effects. It would in the first place allow them to use more of their savings to finance the investment that is necessary to support the policy changes that are taking place. It would also have a direct impact on fiscal deficits. People point to Argentina and say, "My God, they are impossible people. They cannot get their budget deficit below 6 per cent of GDP." But they forget that Argentina is paying in interest to the rest of the world, 6 per cent of GDP. And, since Latin American debt is fundamentally today government debt, the bulk of that is being paid by the government. It is small wonder that they have such difficulty getting their budget deficit down. And therefore one begins to understand why it has been so difficult to control inflation. So that is a second way in which a renegotiation and reduction of debt would help. And there is a third way, of course, in that it would reduce the need to try to expand exports quite so rapidly. They would still have to expand their exports and to diversify their exports to strengthen their balance of payments, but it would not be necessary to try to expand exports at the pace that will be necessary if they have to continue to service the existing external debt. And it is I think in that context that the ideas that are being put forward by Japan today in international forums are so important, and I certainly hope that in Japan you will continue to explore these ideas, and I hope also you strengthen your proposals in this respect. Thank you very much, Mr. Chairman.

YOSHITOMI: Thank you, Mr. Knox. I think Mr. Knox has identified what is to be done in Latin American developing countries: inflation control, reducing the anti-export bias, and increase savings and investment. And yet his conclusion is that more new lendings would be needed for such structural reforms, including inflation control, enhancing export capabilities and savings. But that is one of the most important issues we will discuss after the coffee break. Now I turn to Mr. Schloss, on Africa. Mr. Schloss.

SCHLOSS: Thank you very much, Mr. Chairman. It is a great pleasure to share with you a few thoughts on structural adjustment in Africa. Being the last one of a series of very distinguished, articulate, and knowledgeable speakers, I find my-

self with a bit of a dilemma as to exactly how I should focus this presentation. I could do so by emphasizing all the things that were said which are similar to Africa, only to a higher degree, or start pointing out where the differences are. And in a way, what one may want to emphasize depends on one's frame of mind. There are people who like to emphasize similarities; there are others who like to emphasize differences. What I will try to do is be a little eclectic, and indicate a few points on both sides: some similarities, some differences on what was pointed out by the previous speakers, and some implications.

Broadly speaking, the magnitude of the changes in capital movements and commodity prices throughout the entire world have left developing countries in general, and African countries in particular, with no recourse other than adjusting to this unfavourable situation. In a way, adjustments to the change of economic environment have become inexorable. And I think that if one goes through international fora, one will see that there is a growing consensus that it has to happen. The magnitude of the imbalances are such that they will take place either through major political and social upheavals in the fabric of the countries concerned, paraphrasing somewhat liberally the words of Edem Kodjo's presentation some years ago to the Organization of African Union, or through orderly and phased adjustment supported by a concerted effort from the international financial community of the type that we were talking about today. Fortunately, an increasing number of countries are adopting structural adjustment in the latter vein, to lay the basis for sustainable, faster growth in the medium term. This is, indeed, very much at the core of what structural adjustment, or what these programmes, are all about. It is to enable these countries to grow out of their debt difficulties. We may argue whether African debt is too high, but we certainly can agree that these economies are too small to sustain such debt burdens, and only growth can lay the basis for future credit worthiness.

Having said this, we must be aware that in several important respects, the changes needed in Africa are different from those in other places. At stake there is a larger backlog of distortions and structural rigidities than anywhere else in the developing world, combined with a larger and a rather undeveloped human and physical infrastructure that makes the supply response more difficult to attain, and an already reduced standard of living that leaves precious little, if any, room for further reductions in income levels. We are, in a way, dealing quite literally with a matter of survival.

In contrast to other developing regions, Sub-Saharan Africa has generally shown consistently weak economic performance over an entire generation. To make matters worse, during the 1980s per capita income has fallen, on average, to

about three-quarters of the level reached by the end of the 1970s. Indeed, if we had here several African representatives, they would find envious the situation just described a moment ago by Mr. Knox about the situation of Latin America. It certainly is much bleaker, much more complex there. Rapid population growth, political and social upheavals, external shocks have all contributed to this, but weak economic management has been a major cause. Distorted pricing and incentives policies, including an overvalued exchange rate, have compounded the vulnerability of the economies based on single or few export commodities, basically of a primary nature. Emergence of unsustainable, import-dependent, often inefficient, and over-expanded industrial sectors have accompanied heavy taxation of agriculture, resulting in declining food and cash crop production, and increased import dependence. Africa's poor economic performance has now begun to erode the region's productive base and human resources. By the mid-1980s, gross investment levels in many countries were too low to maintain the capital stock, and even health care and education are now deteriorating. So far, this is, so to speak, the bad news. But there is a positive sign in all this. In response to this situation, by now more than half of the countries in the region are already undertaking significant programmes of policy reforms.

The severity of Africa's structural economic imbalances and the vulnerability of their economies to their external environment often obscure the impact of the reform efforts on economic performance. Moreover, it takes time, particularly for the reasons I mentioned before, to generate growth. In a way, we are finding ourselves in a situation similar to the parallel that was drawn by one of my predecessors in comparing the growth performance between the higher or medium-level income countries in Asia with also the lower income brackets. The African case being much closer and much more akin to the lower income ones. Nevertheless, in areas of fiscal and monetary policies and price incentives where better data are available, there are signs of progress: their progress is clear, and has been noted in a recent World Bank development report. More importantly, when all has been said and done, growth in countries that have adopted reforms in this region have already accelerated from an average 1 per cent during 1980–85 to nearly 4 per cent during 1986–87. In stark contrast, growth in non-reforming countries moved from 1 per cent to barely any increase in the same period. So, in other words, the countries that have started to adopt these economic reforms have started to show a growth record, better than what they had in the past, and certainly much better than the ones that have not adopted any reform so far. Moreover, indications are that the reforms have generally helped alleviate poverty by raising agriculture incomes and by improving the efficiency of public spending.

I do not want to give here an impression that we have a rosy picture not by

any stretch of imagination. The road is long and difficult ahead. Unquestionably, this is a process that is by no means easy. As public sectors retrench, urban unemployment has initially increased in a number of instances. Not all of the anticipated positive results of reform programmes have yet emerged. Some countries have encountered more difficulties than others, and some, as you know, have suspended the adjustment measures they have started to take. Progress has, on the whole, spread unevenly across countries, sectors, and social groups. In other words, progress is fragile, and we must be careful not to overestimate what can be achieved in the short term. The reform process in Africa is of relative recent origin, and has often focused initially upon stabilization efforts. There is still scepticism among some quarters regarding the capacity of Africa to fare well in an increasingly competitive world, and its reform programmes still need to be deepened into non-price and institutional areas. In this sense, macro and pricing policy reforms are necessary, but not sufficient conditions in and of themselves to bring about structural changes.

Let me now point out which are the key ingredients to battle against the difficulties that I mentioned before. First, the development of a long-term commitment on the part of African authorities and people alike to sustain the implementation of the necessary policy changes can, in the final analysis, only be done if economic growth can be achieved. With the levels of income we are talking about in Africa, an economic retrenchment is neither a practical nor a viable option.

Second, the adjustment programmes need to be underpinned through appropriate funding and debt relief to finance the inputs and investments necessary to make these economies more productive, as well as to ease the transitions by maintaining essential inputs while reforms take effect and the economies start to respond to changing policies. To this end, a Special Programme of Assistance has been instituted that combines a series of steps in which Japan has, and is, participating actively. They are the relocation within IDA (International Development Association) to increase financing of adjustment operations in debt-distressed African countries; a large increase in quick-disbursing resources from other donor governments and agencies, such as the Japanese authorities, to co-finance IDA-supported adjustment operations; additional drawings from an enhanced Structural Adjustment Facility at the IMF; and increased debt relief at more concessional terms. All things together, these initiatives are meant to provide at least \$1.5 billion in additional concessional resources per year over the next three years. It goes almost without saying that these resources are meant to be used in support of serious adjustment programmes. Failure to do so may only inadvertently result in a substitute for

needed reforms in the countries themselves.

Third, intensified efforts are required to adequately address physical and institutional infrastructural bottlenecks currently undermining productivity and efficiency, as well as restructuring production capacities in the productive sectors. Key elements in this agenda are restructuring of considerably weakened banking sectors, together with financial sector policy reform so as to improve savings mobilization and contribute to stronger private sector growth in the medium term; development of private sector-based export marketing systems to improve access to and competitiveness on international markets; better transportation, power, and other infrastructure systems to improve the development prospects in the productive sectors, and, of course, and I need not to dwell on this, strengthening of the social infrastructure, as elaborated extensively by Mr. Draper; and, more focused and improved quality of public administration and services.

The fourth point, and looking beyond the current difficulties, and if I may elaborate on or build on what Dr. Okita mentioned this morning, in order to avoid the recurrence of the current vulnerability of Africa, some fairly basic work needs to be done to improve the understanding on the resource base and management of the region. These include the strengthening of agricultural technologies that are critical in African food production; the development of a set of country-specific actions that would constitute a more intensive, organized, and systematic approach to the problem of hunger and food security in the continent; the development of a better understanding of the potential for and the constraints to entrepreneurship development, and the policy, institutional and other actions to create an enabling environment for a broader-based, more productive private sector; the development of regional cooperation arrangements in such areas as procurement and distribution of hydrocarbons, the lack of which at present implies a major drain of resources from the continent.

In sum, a cooperative effort is being put in place, aimed at redirecting macro-economic and sectoral policies to strengthen the growth and balance of payments prospects, to improve resource use and efficiency in the productive sectors, while sharpening efforts in social sectors, to pull back the excessive intervention of over-extended public sectors, and to encourage considerably expanded private sector contribution. This requires an economic leadership different from that which has been practised in large parts of Africa for the better part of the last decade: one that relies on and in fact releases the latent energies in the productive sectors. It is hardly a new concept to this part of the world. It is, in a way, today's application of Lao-tzu's millenary adage that "to lead people, walk behind them."

To conclude, with the actions mentioned before, there is little doubt that there is hope in Africa. After all, while on the present evidence, the effects of adjustment programmes are promising, indicators of GDP and export volume show relatively strong growth for about two-thirds of countries following the introduction of adjustment programmes. Africa is no exception in this regard. But it requires a more concerted effort than would otherwise be required. The seriousness of the short-term economic outlook should neither be underestimated nor blind us into inaction. I have given you today some important signs of progress. More importantly, the people of Africa have shown that they will respond to appropriate incentives. Moreover, Africa has a number of major assets, which, if properly harnessed, could provide solid bases for long-term growth. These include an emerging indigenous private sector, and substantial mineral and other resources. The African countries and the donor community have a responsibility of working together to find answers, which are by no means obvious, to these issues, and this meeting is an important step in this direction.

Thank you very much.

YOSHITOMI: I think the structural reforms needed for African developing countries are in a sense akin to those in Latin American developing countries, but with broader infrastructure investment, both human and fiscal, required. It is now twenty-five minutes past three, so we have a fifteen minute coffee break, and then we open again at 3:40. Thank you.

YOSHITOMI: Okay, may I resume the after-break session? First, I would like to ask each panellist to present his own view or views on the policies along the line of the presentation each of the panellists did before the coffee break. What policies should we particularly pursue to accommodate structural reforms? And Mr. Knox already indicated that some debt relief or more new money would be needed. And also Mr. Schloss mentioned that growth is necessary: growth is a sort of prerequisite for any kind of successful structural reforms, but growth could be the result of such structural reforms as well. And debt relief is the same, whether in order to promote structural reform, we may need debt relief, but from the viewpoint of the donors or the countries which might give such debt relief, would ask developing countries to guarantee such structural reforms beforehand. So I do not know the linkage between the two: structural reforms and, say, more money or debt relief. And also Mr. Knox, I think, emphasized, particularly in his paper, which is not distributed, the sort of trade-off between structural reform, particularly stabilization policies, and growth, not in the short run, but over the medium or even long run, because of institutional

difficulties, say, embedded in Latin American countries. So given these contexts, I first ask Mr. Kojima to express his view on policies. What sort of policies he had in mind to promote structural reform in some developing countries. Since you just presented a general view on the world economy, you can pick up any country, but maybe Asia, and address policy issues in that context. So Mr. Kojima.

KOJIMA: Thank you, Mr. Yoshitomi. First of all, the structural adjustment assistance seems to be a kind of strategy of "carrot and stick"; if you do this structural adjustment, I will give you this money. Among the industrialized countries, they use peer pressure system. That means if you do not do this homework, you will have problems at the next summit. My point is that while money is necessary to repay the existing debt, but for structural adjustment, one needs something more than money. And I think Japanese can provide not only finance, but also the idea, because after several years of Japan-bashing, Japan became once again kind of the number one successor in structural adjustment. Japan has not formulated how to reach the present situation, but suddenly we did it and everybody can now provide some advice to developing countries. So maybe it is not her policy recommendation but I should strongly emphasize that now Japan can share her experience in structural adjustment in various areas with the people of developing countries. I should like to emphasize in particular, the Japanese industrial experience of shifting from labour-intensive manufacturers to capital-intensive and more high-technology industries. And also I should like to emphasize that Japanese structural changes are autonomously transmitted to neighbouring Asian countries. Namely: Japanese labour intensive industries are losing their competitiveness, and the owners of those factories are moving to Asian countries and establishing a production base over there, strengthening their manufacturing bases and giving the people necessary training. So my point is that in Asia there is autonomous change going on, and the Japanese economy is at the source of that change, of course, helped by the alignment of the exchange rate, and the freer movement of capital. In Asia, in contrast with Europe, the autonomous forces are making Asian countries a single market. This is one point based on Asian experience.

An additional point is that structural adjustment policies are followed in general among developed countries. It is not only because of peer pressure, but also stems from the necessity to resolve the various problems they have been faced with since the 1970s and 1980s. The budget deficit expanded in the 1970s because Japan and other developed countries tried to come out from the recession after the oil shock. So the budget deficit became so large that fiscal authorities lost the flexibility to cope with the next recession. Many industries lost com-

petitiveness because of the change in the relative prices stemming from the oil shock. Many countries gave subsidies to declining industries, so they lost the chance to expand in the newly emerging industry sectors. Japan protected the declining industries, of course, but compared with other countries, Japan was rather quick to make up its mind to reduce the size of those industries, and shift to new sectors. So I think that structural adjustment policies are necessary to resolve the problems faced since the 1970s. Thank you very much.

YOSHITOMI: Thank you, Mr. Kojima. I think Mr. Kojima has pointed out a very important aspect: structural reforms in the advanced countries could provide better international circumstances for structural reform in developing countries, particularly protectionism in the developed countries, including Japan. But over the past several years, I think he said the performance has been better for Japan than for other countries in this particular aspect. May I ask Mr. Yanagihara to discuss the policy issues?

YANAGIHARA: Thank you, Mr. Chairman. I should like to follow up on what Mr. Kojima just mentioned. Structural adjustment is conceptualized to be the medium-term programme. So it has two sides: on one side, it is linked with short-term stabilization; while on the other side, it is linked with long-term growth. In reality, one cannot neatly sort out different elements into three different categories. I am glad that I have this second chance to talk since I was reminded that in Asia inflation is not such a problem, and I failed to mention it in my initial presentation. The short-term stabilization problem is certainly always there, but macro management seems to have been more conservative. That is true not only with the more successful middle-income countries, but with all the countries, as it now stands. There were periods when inflation was a problem, but at present, inflation is not a problem in any part of Asia. One factor behind that is control on the fiscal situation. In some cases, control of fiscal expenditure was achieved with a certain cost: cost in terms of growth, and cost in terms of its negative effect on structural adjustment. I am thinking mostly of the Philippines when I say this, but it was to a certain extent the case also in Indonesia. But I should also like to emphasize a silver lining that you can find in difficult balance of payment situations and difficult fiscal situations. When you are tight, you cut down on all the waste, and as domestic demand is reduced, the producers are forced to look for alternative markets, and it certainly did work in successful cases of middle-income Asian countries.

East Asian experience, Japanese experience included: what is the lesson from the success story? I feel that structural adjustment, conceptualized as policy and institutional reforms, was certainly implemented at certain junctures. But underlying that, I tend to see a longer term trend that sustained the momentum

throughout the adjustment period. This relates to the question of supply response in general, and capacity to expand manufactured exports in particular. In the case of East Asia, a long term trend of upgrading industrial structure through increased human resources and managerial capabilities was there. Therefore, the policy measures could bring out an immediate and rigorous response. In the case of major low-income countries, they have come through a period of major economic reforms. They are, in a sense, pure cases of policy and institutional changes. And the response has been, so far, rather favourable. The question remains to what extent those reforms could continue to bring out increased efficiency and, therefore, higher growth rate. There again, this question of supporting investment, both in terms of physical investment and in terms of institutional and human resources development, would be crucial for the economic reforms to continue to produce better economic performance. Thank you.

YOSHITOMI: Thank you, Mr. Yanagihara. I think Mr. Yanagihara has emphasized, by drawing the case of Asian developing countries, that the short-term stabilization policy could be a prerequisite for long-term growth. But Mr. Knox apparently has been emphasizing that sort of trade-off between the two: stabilization policies and growth. Every country suffers from short-term growth decline when stabilizing policies are adopted. There is a difference between Asia and Latin America. The main reason, we all know, is that in the case of Latin American countries, import suppression was a major channel for adjusting external difficulties, whereas in Asia, as Mr. Yanagihara has said, export growth during the difficult times promoted the structural adjustment, and hence longer term growth. So I wonder, in the case of Latin America, how could we establish a better linkage between the stabilization required to control the present inflation and fiscal deficit on the one hand, and the somewhat quicker resumption of growth in the relatively short run. Mr. Knox.

KNOX: Well, Mr. Chairman, if you put the question in that way, I think probably the only answer is additional help from outside, in some form or another. And let me just explore a little further, perhaps, something that I mentioned briefly in my initial remarks, and that is the need perhaps for some measure of renegotiation of debt in Latin America. Let me ask the audience to keep in mind that in Latin America today, something like one-quarter — 25 per cent — of total savings are absorbed in paying interest on external debt. Now, it is extremely difficult in any country if you have to devote a quarter of your savings to servicing debt. It is obviously going to be extremely difficult to increase investment to the level that would be necessary to restore growth. Now the one way of dealing with that, of course, is to borrow more abroad. Well, despite the Baker plan, and despite other efforts, so far not many Latin American countries have

not found many willing lenders, to put it mildly. And therefore, I think more attention has begun to be given to the question of can there be some reduction in the debt burden, and therefore some reduction in the payment of interest.

And let us again look at some features of today's situation. For those of you who feel inclined to rush out and buy some Latin American debt, in the hope that you'll make a killing on it, you can buy it at the moment on the market at less than 50 cents on the dollar. In fact, there are some countries for which you can get a dollar's worth of existing debt for a mere 10 cents. So it's quite cheap at present. There is a big discount in the secondary market for Latin American debt. Another factor which one could keep in mind is that many of the banks — perhaps most of the banks, in fact — have now made provisions against Latin American debt of at least 30 per cent. This is standard in the case of the United States banks, of a provisioning of 30 per cent, the United Kingdom banks about the same. In the case of some of the German banks, the provisioning is more of the order of 60 or 70 per cent. The banks, in fact, have already, to all intents and purposes, accepted to that degree that they're not going to get back 100 cents in the dollar on Latin American debt. But despite the discount at which the debts trade in the secondary market, and despite the fact that there have been these substantial provisions by the banking system throughout the world — and incidentally, you will see the same thing in the banks in Japan — the Latin American countries are still paying interest, not on 50 cents on the dollar, but on 100 cents on the dollar. And consequently, there has been a considerable movement in Latin America to say, "Well, if our debt is trading at a discount, should we not get part of the benefit of that discount?" The problem is how to arrange this. From the point of view of a banker, it is not very attractive proposition to say, right, I will accept in place of the existing paper I have new bonds which are worth only 50 per cent of my existing loans, because the banker immediately loses a substantial chunk of interest, and from his point of view, that is very bad. On the other hand, it might be attractive from the point of view of the commercial banker — and don't forget that something like 80 per cent of Latin American debt is debt to the commercial banks — to have new paper for his existing paper; but new paper which gives him a greater degree of certainty that he really will get his money back. How can one arrange that? Because again, the problem is if the Mexicans go to the commercial banks, as indeed they went earlier this year, and say, "Look, we will buy back part of our debt at a discount." The commercial banker says, "That's very nice, but how do I know that you will go on paying the interest? After all, you are a big debtor and you are still in economic difficulties, perhaps you won't be able to pay me interest." So what one needs is a scheme in which the commercial banker will receive a

guarantee that if, for example, the Mexicans cannot pay interest, the guarantor will step in. And the only available guarantor, of course, is either a multilateral agency or, well, it comes to the same thing, the governments of the industrial countries.

Now this, of course, immediately raises all kinds of problems. People say, "My God, this is transferring the risk from the commercial banker to the taxpayer, and that is bad; that's a no-no; it cannot be done." I would suggest that if you really look at this very carefully, on the surface, yes, it is transferring risk. I mean, after all, the guarantor is giving a guarantee that if the Mexicans or the Argentinians don't pay up, he will pay up. But is it a big risk? After all, these countries have gone on paying interest, with few exceptions. Peru does not pay interest today, Nicaragua does not pay interest. The Brazilians went through a short phase when they did not pay interest. But everyone else, including Brazil today, is paying interest, and they have struggled to pay interest on time. I think it is a reasonable proposition to say that if they had to pay less interest, they would still pay it. So while in principle, you are transferring risk from the commercial bank to the taxpayer, I think there is a reasonable chance the taxpayer would never have to pick up the bill.

Now then there is the other argument, put forward by the opponents of this scheme, which is called the "moral hazard." This is a high-sounding name for saying, "Ah, yes, but what will happen as soon as you write down the debt of the Argentinians and the Mexicans and so on, is that they will immediately run off and go back to their bad old habits and start exporting only primary commodities, have a rip-roaring inflation, and generally get themselves into a mess." Well, I suppose there is a risk of that. After all, governments do make mistakes everywhere. But do not forget that the changes, for example, in trade policy that I was talking about this afternoon, are not hypothetical changes that may be made at some time in the future. They are changes that have been made. Mexico, for example, has already, and in a fundamental way, restructured its whole external tariff system, restructured its entire system of controls over trade, and has restructured it in a way which removes the emphasis on import substitution and puts it on exports. Now I would suggest to you that there is a reasonable prospect that the Mexicans, having just done that, are not going to turn around tomorrow morning and go back to where they were two years ago. The Argentinians have done the same; the Brazilians have done the same; the Chileans have done the same; the Colombians have done the same. So when people talk about moral hazard, when they suggest that these countries are then just going to go back to their bad old ways, I think they are exaggerating because fundamental policy changes have already been made. And besides, if I may say so,

it takes two people to make a bad loan. It takes a bad borrower and a bad lender, and if the bad lenders will also reform their ways, there will be fewer bad borrowers. Thank you very much, sir.

YOSHITOMI: I think we can extend this discussion further, I may pick up later on, but before I do so, Mr. Schloss, do you have something to say regarding that?

SCHLOSS: One particular point and one general point. On the question of debts, one of the real difficulties, when it really comes down to it, is that when there is smell of loss, people do not reach in their pocketbooks with much graciousness. And this is, deep down, the fundamental problem with all the debt schemes that have been proposed. There have been innumerable proposals, and they all face the kinds of issues that Mr. Knox has pointed out. Nevertheless, the weight of the numbers are such that it is almost inexorable that some of these schemes, in one way or another, will see the light of the day, if they are not already seeing the light of the day. What I find interesting to note is that there are some market mechanisms emerging: these secondary markets, for instance. Debt to equity swaps, and the like, where the loss is maybe not that evident or certainly there is a refacing of the debt structure taking place in a spontaneous manner. Admittedly, this is very difficult, but it is taking place. Perhaps one of the major countries that has been involved with this is Chile, and there has been, in fact, significant reduction in the debt as a result of that. And I find it also very striking that in the Annual Meeting that took place in Berlin last week, for the first time ever I have attended World Bank meetings, I hear as the accepted wisdom on the part of everyone, "debt reductions schemes." This is the word of the day. So it seems to me that is one area where at least there is a growing awareness that this is a matter that needs to be addressed, and there are participants who want to work along the lines that Mr. Knox has pointed out.

Of course, there are other areas of policy action that are needed. Unquestionably, debt is one area which can take place in the form of debt equity swaps, debt reduction programmes through secondary market operations, re-scheduling, etc. This is an important ingredient. Others, of course, represent structural changes, and that is also a matter where there is growing consensus in the developed countries regarding their trade regimes: to enable access of developing countries to their hopefully growing exports, which should result, and which are starting to take result, as an outcome of the policy changes that were referred to. I think I should leave it at that, as far as additional comments.

YOSHITOMI: That completes your remarks? Thank you. Are there any other panellist who have questions or debates on what Mr. Knox and Mr. Schloss said? If not, I shall just put the question to maybe Mr. Knox, because this is a very important aspect, I guess, in this symposium. That is, I think even in

the case of the so-called Miyazawa plan, put forward in the Fund and Bank annual meeting at Berlin, that structural reforms are prerequisite for any kind of debt reduction. So that is again a sort of consensus view, as Mr. Schloss indicated, but the question is the sort of linkage between structural reforms and debt reductions — usually we call it market-oriented debt reductions. Either this is swap or debt relief or exit bonds or not. So particularly from the viewpoint of the creditor countries, how could we obtain the guaranteed linkage between structural reforms on the one hand and some kind of debt reduction on the other? And in my understanding, say, the Mexican case is very recent, and there is no guarantee yet whether they could really maintain the realistic exchange rate policies in the near future. Therefore, and also, Mexican reform might have been accelerated because of the leverage held by creditor countries or creditor banks. So in the realistic world, structural reforms are very politically sensitive matters, like Japanese agricultural policies. Japanese agricultural policies are a small part of the huge Japanese economy. And yet, such a small part of the economy has a strong political, say, propaganda for maintaining the agricultural protection. And if Mr. Knox's presentation is correct, then this import substitution policy with, he said, united export bias, with united export means, as we often call it in development economics, "import substitution at any cost." But in this case, import substitution at the cost of export. That makes a big difference from the Asian development strategy. Asian countries also engaged in import substitutions. We should not just identify their policies export-oriented policies. They have also had import substitution policies but not at the cost of export at all. That makes a big difference. So if we keep that difference in mind, how could we really implement such politically extremely sensitive reforms, like Japanese agriculture? Yet these sensitive areas cover the bulk of the economy because of the Berlin import substitution over the past several decades. So from the viewpoint of the, say, creditor countries, how can that structural reform be guaranteed? In particular, if the political regime changes every few years, how could we really guarantee that? And then should we really implement such debt reduction in the form of phasing out, under the extremely strong conditionality that is structural reform? So these are the sorts of issues that we have been discussing in the international communities or in the IMF meetings or so on. So this is the bottom line of the issues. I just raised this question to Mr. Knox, and would you kindly respond to that?

KNOX: Well, thank you, Mr. Chairman. You've certainly raised some very important and very basic questions. First let me say I agree with you completely. One would want to try to put in place measures of debt relief in countries that were undertaking serious internal measures to deal with their problems, and to

strengthen their economies. I certainly do not see debt relief as a substitute for a serious attempt within the borrowing countries themselves to put their own houses in order. It is something to help in the process; it is not a substitute for that process. But you then put the very good question: what assurance do we have that these reforms will not be reversed tomorrow, or the day after? And I would just say again that I believe, certainly as far as Latin America is concerned, that there is a fundamental re-thinking of economic policy taking place. If one looks at, for example, the publications of the Economic Commission for Latin America, and if one were to read those publications 30 years ago, one would have seen a heavy emphasis on import substitution. But you correctly said a policy of import substitution at any cost, and therefore, industrial development behind extremely high protective barriers. Now if one reads those publications today, of the same organization, which is a very important one in Latin America, one will see a very different kind of analysis. One will see an analysis pointing out that, while import substitution may have served those countries well at one time, it has ceased to serve them well. And therefore, something else has to be put in its place. And therefore, today in the analyses of people like the Economic Commission for Latin America and other similar bodies in Latin America, one will see a great emphasis being put on the need to restructure international trade policy; to do just what the newly industrializing countries of Asia have done, namely, to develop their exports of manufactured goods. The Latin Americans can see what is happening on this side of the Pacific, and understand very clearly why it is happening; that the countries of Asia have followed a different set of policies, and clearly those policies have worked. The Latin Americans can see this. And they do see it. And therefore I believe there has been a very fundamental change in thinking. Now, of course, that does not mean to say that everybody in Latin America is agreed on this. Whenever one tries to undertake reforms, fundamental reforms, in any country, there will always be arguments. I live in a country, I am a citizen of a country which has been through a reform called "Thatcherism." And at one time, Mrs. Thatcher and her Thatcherism was very unpopular. But today, well, it has worked in the sense that people are better off, and therefore, there is less and less opposition to Thatcherism. And indeed the Labour Party now seems to be becoming Thatcherized.

Now, this is not peculiar to my country. The same thing applies in Latin America: nothing succeeds like success. And if you can put in place a policy that shows results in terms of where people feel it, in their pockets and their ability to buy things, it will be well-received. Now the problem in Latin America is the Latin American governments are trying to make a fundamental change in the middle of a recession, and that is the most difficult time to make a fundamental

change. Because what people see is not an improvement in their earnings. They see their earnings going down, and they say, "My God, this policy must be nonsense." Therefore, it follows, I think, if you could help them to expand a little, so people began to feel, "Ah, yes, this policy is producing good results," you would soon get more and more supporters for it. And that I think is the only way in which you can ever guarantee that policy changes stick. Organizations like the World Bank can go along and say there is a condition in the loan agreement which says you will do this, that and the next thing. But government will say to the World Bank, "You know where you can go, because we're not going to do that; it hasn't worked." But if it does work, and it works in the sense that people see themselves getting better off, that is the best guarantee you can have that the policy is going to stick. Now, what will help it to stick? Giving them some help will really produce good results.

In addition, let me just add one further point. Even if one has a measure of debt relief, if one can write down Latin American debts to some extent, if one can reduce to some extent the amount of interest payments they have to make, no one is saying that means that never again will these countries have to borrow money. They are, after all, developing countries, and it is in the nature of a developing country that it has to go on borrowing money. It has to be a capital importer to assist in its development. So, if despite what I say, they turn out to be very naughty people and to do the wrong things, well, one can still stop lending them money. One still has a degree of control, if one thinks control is really necessary. Let me stop at that point.

YOSHITOMI: Do any other panellist have questions or points for discussion?

YANAGIHARA: Unfortunately, I have only a question, not an answer to this important issue. Somehow we are beginning to talk as if we know what the right policies are. Maybe there is agreement, but I just want to make sure that we have the same understanding or that we understand the differences. It is very difficult to argue against the World Bank's standard policy prescription. I am trying to find fault with it, somehow, in the context of Bangladesh. But in principle, I agree with the emphasis on market mechanism, emphasis on private sector and all the corollaries that derive from that principle. But as I tried to hint in my presentation, there are cases where one just cannot assume the sort of automaticity, so to speak, of responses to policy changes. So I should like to raise this question to see to what extent we know – to what extent we have empirical basis – as to what is right in terms of policy prescription.

The second question relates to this issue of adjustment with growth. If the distortions have been long-standing, then structural adjustment implies not only the growth of a new engine of development but also the dismantling or discarding

of the old base of growth which was formed under previous incentive schemes. So, to the extent that structural adjustment is real in the sense of re-allocation of resources, then the growth rate might have to remain low, because while one is encouraging new industries, one might also have to phase out old ones. Those are the two questions I should like to raise.

YOSHITOMI: Is the question to —

YANAGIHARA: Well, not necessarily to him.

YOSHITOMI: Mr. Schloss, do you have some answers to that?

SCHLOSS: I wish I could give a pellucid answer, but the answer is not simple. The process of development, as you know from first-hand experience, is one of grappling with issues as one goes along. Having said that, the Bank has in fact very recently undertaken a review of the experience of countries where adjustment programmes have been instituted. And while, in fact, in this study, no causal connection could be established, and there you are absolutely right. The evidence, however, strongly suggests that performance as measured in terms of GDP growth, in terms of export growth and other indicators of the type, shows that for two-thirds of the countries that have had adjustment programmes over a sustained period, the indicators have all improved in a very measurable way. And this is based on a sample of a wide range of countries in different regions. Now, the same points that you have observed regarding the experience in Asia can be transferred to a world-wide experience. Namely that there are countries where clearly the supply response, the possibility of growing as a result of these policy changes, is different. There are countries that have less of a developed human infrastructure, physical infrastructure, where a lot more of that investment has to take place, and therefore the growth performance takes more time to be realized. That is why I stress very much in the African case that this is a process that requires time, even though there are early indications that the general policy prescriptions that have been followed show positive signs in terms of growth performance. There is one point I should also add, which is that certainly these processes will require a fairly international or a fairly comprehensive approach for the financing effort. One cannot expect these retrenchments of public sectors, etc., to produce results on their own, and in fact there is a risk that programmes that may be under-funded may be in fact very deeply counter-productive, where there will be economic decline, and people will therefore associate such economic decline with the adjustment processes. This is the one big danger of applying certain policies without the necessary financing from abroad. Thank you.

YOSHITOMI: Thank you. Mr. Kojima?

KOJIMA: Thank you very much. I have three observations about debt relief, if I may. First is whether the debt relief is a prerequisite for the structural adjust-

ment or not. Statistics show that it is not necessarily so. The debt outstanding to GDP ratio is 37 per cent in Brazil, according to the World Development Report. But for Korea it's 36.1 per cent. For Mexico it's 76 per cent, but if you look at Malaysia, it's 77 per cent. But Korea and Malaysia are not demanding debt relief, which means that economies can grow out of debt burden if they have the chance.

My second point is that chances are given by the bad lender, the United States. The US lent heavily to Latin America, but imported heavily from Asian countries. So Korea, until a few years ago, was one of the problem debtors, but because of the expansion of exports to the United States, they grew out of the debt problem. Is that because the Korean won was linked to the dollar? Not necessarily so, because Latin American currencies depreciated vis-a-vis dollar more steeply than the Korean won. As Mr. Knox said, and — I believe so, the Latin American countries started industrialization in the early part of the 20th century, and they were one of the richest countries in the world at that time. Also I believe that Brazil in particular is very sophisticated in industrial development. For them just to sit back and demand debt relief is not enough. They should do their own business, and then they do not necessarily need to wait for the suggestion coming from IMF or World Bank.

And my third point is the Miyazawa plan. It assumes IMF conditionality instead of giving some debt equity swap, and seems to be a medium-term loan of four to five years, but I believe that it is too short. So I wonder why Mr. Miyazawa did not have the World Bank or concessional institution in his mind when he made the debt relief proposal. They are my three observations on debt relief. Thank you very much.

YOSHITOMI: Thank you, Mr. Kojima. Mr. Yanagihara, you are an expert on Asia, including the Philippines. What kind of assessment do you have on the Philippines' policies after the debt crisis? You said what the right policies are, but just applying your ideas or thoughts to the case of Philippines' policies — both of the Philippines and the advanced countries?

YANAGIHARA: Well, actually, the Philippines is the Latin Asia country, and I am happy to give it to Latin group, rather than keep it in the Asian group. Joking aside, I think that the Philippines has problems that are similar to all those of the Latin American countries. In the case of the Philippines, as I discussed in my initial presentation, the tide of industrialization in Asia through trade and investment is certainly reaching the shores of the Philippine islands. They observe the successes of Thailand and Malaysia, so in a sense, they can see in specific terms where they have failed thus far. So in those specific terms of, say, increasing attractiveness for foreign investors and reducing handicaps for exporters, I think

that they will be very successful. That is one front.

The second front: they have already been very successful in the short-term macro management, to which I have already alluded. The area in which they have the most serious problem is medium-term structural adjustment. And in the Filipino context, it's all mixed up with long-term issues: more fundamental issues like land reform. The problem there is the gap between ideas and actual policies. Technocrats at the planning agency think very much in the same terms as the World Bank and IMF economists. So on the surface, they have all of the agenda, all of the programmes of policy reform. But when it comes to the "nitty-gritty," they have never been very effective in implementing all of the right things that they have said in their plans and documents. And this is, in essence, a political issue. I believe that all those prescriptions are right, and I believe that they would be needed for the resumption of sustainable growth. But I am rather pessimistic; they would not be adopted as a package in a comprehensive manner. But with those specific orientations, specific clues which they get from neighbouring Asian countries, from more successful cases, they will improve bit by bit, learning what to do, what not to do, along the way. But I am very pessimistic about the prospects of the complete overhaul of the economic policy. Thank you.

YOSHITOMI: Thank you. Any other comments? Mr. Knox.

KNOX: I wonder if I might be permitted to comment on what Mr. Kojima just said about the comparison between Brazil and Korea and Mexico and Thailand. I, too, have noticed the similarity in their debt ratios, and I have asked myself the question, "Why is it that Korea and Thailand do not have a debt problem, but Brazil and Mexico do?" And let me give you my answer. My answer is that Korea and Thailand have had the foresight, long ago, to make the changes that Brazil and Mexico are now making. Korea, for example, has a situation today in which external trade, exports, already constitute a pretty high proportion of its gross domestic product: 30 per cent or 40 per cent, I think? 45, is it? I speak entirely from memory, but I know that in Brazil it is 12 per cent. There already, one has a difference.

Secondly, while manufactured exports in Brazil are far more important than is the average for Latin America, but manufactured exports from Brazil in relation to Brazilian total exports, are still not as important as manufactured exports from Korea are in relation to Korea's total exports. Brazil is still, to a large extent, a country depending on primary commodities. It is no longer a coffee exporter, pure and simple, as it was 30 years ago. But Brazil is not yet in the position of being an exporter of manufactured goods in the sense that Korea is an exporter of manufactured goods. And I believe, and I think that this is what is happening in Latin America today, that for Latin American countries to get out of the debt

problem, and not get back into it again, they have to become exporters of manufactured goods.

Now, question: how do they get from their present position of still being where total exports are smaller in relationship to total gross domestic product, where manufactured exports are small in relation to total exports? Can they get from that position to the Korean position without debt relief? I am certain that they can, but it is going to take them a long time. And while it takes them a long time, there is going to be a lot of argument going on as to whether this is a good thing or not, and then there is a real danger that there could be some back-sliding. On the other hand, if one helps them, they could get to that position more quickly, and I think that if they get there more quickly, there is less danger that they will change their minds and go back to the old system.

In addition, of course, the quicker they get to the new position, the quicker do they start to grow, and the sooner do they become a significant market. Do not forget that we are talking in Latin America about a market today which is the size of that of West Germany, but which could be, given the size of the continent and the size of its population, a very much bigger market than that of West Germany. And West Germany, after all, is not an insignificant country.

YOSHITOMI: Thank you, Mr. Knox, and since time is rather limited, are there any other questions? If not, may I ask Mr. Schloss to discuss Japan's role in African countries; what are the aspect of Japan's role, or that of ODA, that has to be improved, in your experience? As you know, ODA is now surpassing, or has surpassed that of the United States. It is now close to US\$10 billion per year, and yet we often discuss about the quality versus the quantity of ODA. We do not have a good understanding of what is happening in the African countries in particular, so your comments on Japan's role would be very helpful to the Japanese audience in this room. Mr. Schloss.

SCHLOSS: Well, it is certainly a tall order to give advice, or to give even modest comments on what Japan could do about Africa. Let me say, perhaps as a way of introduction, that in terms of orders of magnitudes and resources that are required, the African situation is not one that requires an immense amount of resources, and therefore, seen in the international context, Japanese assistance could have an important impact without a tremendous demand on funding.

So, the first point I would like to make is that in the context of additional resources that have to be provided, this is one of the areas where the demand for resources are within manageable proportions.

The second point which I think is worth highlighting is that in Africa, there is a significant amount of work being undertaken about what it is that the countries need to do in terms of policy changes and investments. And there are

two parallel actions which I think could be undertaken: one is close coordination with the agencies that are very actively involved and which have been actively involved for a number of years: UNDP, which is very heavily involved in the technical assistance side and on the whole, so to speak, "software" side of economic development; and the World Bank and the IMF, both of which are very heavily involved in the investment and adjustment side of what is required. Respective medium-term economic outlines are being worked on with each of the countries: setting out the kinds of policies that are necessary to make these countries grow out of their current plight. These policies, or policy frameworks, are matters that are being discussed with both the Fund and the Bank, and they can be the instrument or the framework within which the Japanese authorities might wish to support their lending assistance to the countries.

And thirdly, I would also say that Africa is an area where a lot of work is still needed to be done. The fact is that framework documents are being prepared, which in turn constitute the blueprints that are being put in place in the countries. Still, there are a number of areas that need basic work, be it in areas of agricultural research, be it in areas of how to procure and distribute within Africa certain products, etc., where Japan does have and has acquired over the year a lot of experience. This is a knowledge that would need to be applied, would need to be researched in Africa, and which will be tremendously instrumental if the Japanese, the African and the World Bank could work jointly, number one: to identify the problems and come up with new solutions to the particular problems of Africa; and number two: to transfer technology to the African countries, and start creating a certain capacity of its own of African management of its resources. One area, though admittedly in a very different sphere, that brought this to my mind is the comment that Mr. Knox made about the thinking on economic management that has existed in Latin America through the Economic Commission for Latin America. Indeed, that is an agency which is indigenous to Latin America and has a tremendous influence on economic management thinking in the continent. I would say that, in contrast, in Africa the local institutions do not have that strength, and this is certainly highly desirable to support them and build up that capacity, in various areas. So in my view, there are essentially these three levels of Japanese involvement in the African development which could be instrumental to help the continent.

YOSHITOMI: Thank you. Are there any other panellist who have particular views on the Japanese role, and where it can be improved?

KNOX: Mr. Chairman. I should say for Latin America much of what Mr. Schloss has said with regard to Africa. I should certainly hope that Japan can increase the level of its assistance to the Latin American countries. But there are two parti-

cular points I would like to stress. The first one is very similar to what Mr. Schloss has said. Japan, after all, is the home of one of the most interesting examples of industrial development in this century: perhaps the most interesting example of industrial development in this century. And I am sure that there is a great deal that people in Japan could tell people in Latin America about how this was achieved. And I am sure that people in Latin America would be very interested to learn from Japan as to how this was done. I know from what little I know of your experience in Japan that this was not just a matter of setting exchange rates and import tariffs and such like. The process was a great deal more complex than that. And I think it is a process that is very relevant to the current problems of Latin America, and one from which the Latin Americans would be more than delighted to learn. So I hope that Japan can provide not only more finance, but also more advice.

The other point I'd like to make, which perhaps takes us a bit outside the field of official development assistance, which is the basic theme of this conference, but which is nevertheless very important: private direct investment. I believe – and this is certainly one of the things about which I argue with my Latin American friends – that the Latin Americans still have to be more receptive to private direct investment. There have been some important changes in recent years in this respect. And certainly Latin American attitudes on private investment have been changing. They are becoming much more welcoming to the idea of private investors from outside investing in Latin America. They could still do more in this respect. But of course it is also interesting to see, and I hope this can be encouraged, what I understand to be the growing interest of Japanese firms in investing in Latin America. There have been some very interesting examples in the last couple of years of Japanese investments in Mexico. There are some very interesting examples of Japanese investment in Chile. I believe there are some also in Brazil. And I hope that from your side, you can encourage Japanese private firms to explore the possibilities of investment in Latin America. And I certainly hope that the Latin Americans, from their side, will re-examine some of their policies in this matter, and be more welcoming, more receptive to private investment from elsewhere and from this country. Thank you, Mr. Chairman.

YOSHITOMI: Thank you, Mr. Knox. I think I should open the discussion to the floor. If you have some questions on what the panellists have expressed, would you please raise your hand and identify yourself.

ATTIGA: Ali Attiga, UNDP Res-Rep in Jordan. First of all, Mr. Chairman, I want to really congratulate you and the panellists on a very, very interesting, informative and comprehensive presentation of very complex issues. But as I listened, certain things ran through my mind, which I thought that I shall put

before you. One is that the first panellist, Mr. Kojima, started by saying that developing countries take external factors as given, and he pointed to the oil shock, the first and the second, as being internally decided, within the developing countries. Really, a close look at that history will show you that both the first shock and second shock were demand-driven, rather than supply-constrained. And therefore the external factors were there, really. The developing countries only managed to respond in a collective way, but the initial push was external.

The second point is that only Mr. Schloss has mentioned the importance of regional cooperation, and of regional integration. I think that we all agree that neither Southeast Asia nor East Asia, nor the United States nor Europe nor the Soviet Union could have really developed without the large market that is changing and exchanging goods and services on a more or less free basis. The developing countries need this regional economic cooperation and integration. My question is to what extent should we inject it as a conditionality in the economic adjustment process? In the Marshall Plan for Europe, a conditionality for European cooperation was there, it was assumed, it was accepted, and it produced results. I seldom hear this factor emphasized by people who discuss the economic reforms of developing countries. They more or less assume that each country can make it on its own, irrespective of how small it is. If you look to Africa, most of the countries are not viable, they cannot really make it in the 21st century with these merging economic blocks that we are finding around us.

The third point is that in hindsight it is easy to criticize import substitute policies, but at that time, in the 1960s, it was practically the only alternative available to developing countries. Exports were not feasible, the markets were not there, they were rather protected, and their own domestic markets were flooded with imports. So it was a natural response. Now I think that we need both. We should not say that they should go for exports, and forget about imports. In fact, if one has a good export promotion policy, one will also take care of the domestic market. To a great extent, one will increase efficiency.

The fourth point is that we need lending, we need more really for the developing countries for the very point that was made by Mr. Knox: we need the markets. The developing countries can become the engine of growth for the entire world, which includes the industrial countries as well. Without more resources going into these countries, they just will not have the purchasing power. And eventually, the exports of the industrial countries will suffer. These are my four observations, and I should welcome any corrections if I am wrong.

Thank you.

YOSHITOMI: Thank you very much. Are there any other statements or questions at this rather late time?

BENN: Thank you. My name is Denis Benn. I work for UNDP in New York. I must say, like Ali Attiga, I was rather intrigued by the excellent discussion that is taking place, both on the broader issue of development and on the more specific problems of structural adjustment. And like Ali Attiga, I thought that Mr. Kojima's comments were particularly intriguing, because I interpreted a statement to say that the developing countries had a capacity to determine their external environment. And I think that he illustrated that point by a reference to the particular phenomenon concerned with the action by the OPEC countries. But in my view, that is a passing phenomenon. I think that the reverse is true historically. I think that it also relates to the question of the Prebisch thesis: about the long-term decline in the export of manufactures against commodities. I think though that the very effective observation by Mr. Knox on the problems deriving from a dependence on commodities in Latin America illustrate the fact that there is still some validity in the Prebisch thesis.

The second point which I was intrigued by was the fact that I think both Dr. Yanagihara and Mr. Schloss did make, in fact, a valid distinction between the structural characteristics of certain developing countries, the least developed countries, and of course other countries in East Asia. And I think that, based on that observation, a number of policy implications follow. I think that there is a germ of a solution that is implicit in that distinction, in the sense that one would say that there are certain structural rigidities in the countries in the LDCs, in Africa in particular. And to that extent, one cannot — as you rightly said, Mr. Schloss — expect the normal supply responses to policy prescriptions. It would seem to me, therefore, that following from that observation, it would imply that we should in fact provide assistance designed to remove those structural rigidities, and for embarking on a policy of stimulating those economies in terms of the price mechanism.

The third point I should like to make relates of course to the question of the standardized prescriptions by the World Bank, or I should say conventional structural adjustment programmes. I think that there is a feeling that these programmes are overly influenced by monetarist assumptions, which in fact put undue emphasis on the price mechanism, and is related to the previous observation that I made. And to that extent, it in fact might not be quite appropriate to economies that have these structural rigidities.

The fourth observation I should like to make derives from the very interesting point that Dr. Yanagihara made, in which he said, I think, conceptually structural adjustment lies somewhere equidistant, you might say, between stabilization policies and longer term development strategies. One of the difficulties is that some people have argued that the orthodox structural adjustment policies

tend, in fact, to be concerned with the external payment situation, and to that extent, might not be consistent with the longer term strategy of development. And I think that point takes us to the observation by Mr. Knox. It illustrates that there is a fundamental relationship between the debt and development situation. There is in fact a debt-development nexus there.

Finally, it seems to me that it could be argued that structural adjustment, as it has been promoted, has not been done in the most optimal fashion, because I think that most analyses suggest that there is not only an internal dimension to the problem, but that in fact the development possibilities of the developing countries are influenced heavily by certain exogenous factors. But orthodox prescriptions tend to focus on the internal requirements of structural adjustment. I think that it is interesting that in the discussion of the Group of 7, there is much debate on the appropriateness, say, of certain surplus countries, such as Japan and West Germany, taking certain initiatives to deal with the deficits, particularly in the United States. That might imply that there is a recognition — certainly that there is an external reality to be dealt with in promoting development.

Finally, I just wanted to say that it seems to me that in relation to what Ali Attiga has mentioned, the problem is not so much one of export-oriented development as against import substitution, and I think even Raúl Prebisch in his last days came around to the point of view that it was a matter certainly of promoting export-oriented development, but that certainly in the area of agriculture, efficient import substitution has its place. So I think that these are some general observations that I wanted to make, and I wonder, on the specific point as to the particular strategies to be pursued, particularly in Sub-Saharan Africa, whether Mr. Schloss or Mr. Yanagihara would like to venture some more specific thoughts on what are the particular strategies that might be pursued. In light of the fact that you did say that there is much research to be done, and we have not come to all the answers, so it may be a difficult question, but still I should be interested to hear your comments on the possibility for development in that context.

Thank you.

YOSHITOMI: Since time is now already up, I shall just ask each panellist if you have any response to the statements or questions raised. Just one minute for each panellist. Mr. Kojima.

KOJIMA: I shall take just a point mentioned by two members of the audience, on whether the developing countries assume the world as given or they are involved in the unfolding drama of world economy. I carefully organized my text, so before mentioning OPEC, I said that inflationary pressures were already building up in the developed countries, and this inflationary process culminated

in the oil price shock. So I mentioned both demand and supply. And my point is that developing countries are very important actors in the drama, not an audience. Developing countries respond, so developed countries respond. So the drama since the 1970s is a chain of responses to the actions taken by each other and the chain of response has continued to now. And Mr. Prebisch thesis: I said that in the 1970s the thesis was reversed, but at this moment, it still stands. And if there is any misunderstanding, my point is that Prebisch thesis still stands.

Thank you very much.

YOSHITOMI: Thank you, Mr. Yanagihara.

YANAGIHARA: Thank you, Mr. Chairman. Since I have to be brief, I shall be very blunt. Please excuse me for that. First of all, regional integration in Asia was not a factor for successful performance at all. Regional integration developed through market mechanism, not through any conscious attempt to achieve that. I should really like to be able to respond to Mr. Knox's point on somehow stylizing Japanese experience in a communicable and articulate way. On this question, I should like to second Mr. Okita, I know he does not need any seconding in terms of providing more support within Japan, for the understanding of our own experience, so that we shall be able to contribute in the intellectual domain as well as in the financial domain. Thank you.

YOSHITOMI: Thank you, Mr. Knox, if you have . . .

KNOX: Yes, I just wanted to say a word about this question on economic integration. There have been a number of movements, or attempts at economic integration in Latin America, but for various reasons, this is not a very propitious moment to discuss them.

At one time, one of the successful movements was the Central American Common Market, which embraced the countries of Central America, but this is in a state of disarray at the moment, because of the political problems of that area, and particularly because of the problems associated with Nicaragua.

The second attempt at economic integration in Latin America has been a much broader one, embracing more or less the whole of the continent: the Free Trade Association and its later successor. But here too there have been serious problems which have really arisen because of the acute balance of payments problems of the countries. It is awfully difficult, to say the least, to get an economic integration programme going when countries are scraping around for foreign exchange. And to some extent, and I suppose that this is probably supported by the Asian experience, one needs some strengthening of the balance of payments first before one has the basis by which one can then begin seriously to talk about more effective forms of economic integration. So I suppose in due course that will come in Latin America, but recent years have not been very

helpful to this kind of movement.

YOSHITOMI: Mr. Schloss, you have some particularly generalized prescriptions by the bank.

SCHLOSS: Well, I hate to give generalized prescriptions when the subject clearly shows that there are differences between countries, for which obviously all these economic programmes need to be somewhat tailor-made, although they have common elements between them. So therefore, to anyone who may have the notion that there is a standard prescription of the World Bank, I shall say that there are common elements between them, but they are certainly very much tailor-made to the countries concerned. Let me just touch selectively on a few issues that were mentioned in these comments.

The first one is on the question of integration. In the case of Africa, there are countries that are hardly the size of a valley: Togo, Gambia. These are very small countries whose economy of scale is virtually non-existent, and their relationship with the neighbouring countries becomes almost an imperative. If in Asia, integration was not a factor, it is because in Asia you have countries of continental proportions. Certainly by African standards in terms of size of population and in terms of resources, so if I mentioned integration, it means that certainly it is more of an issue for some countries in Africa. Now one has to be careful, and not try to think that integration is the solution to every problem. There are degrees of integration, there are ways of addressing integration, there are limited approaches that one can take in integration, and I want to give you one issue as an illustration. The way in which African countries procure and distribute oil: each one on its own. Whereas one country is producing an excess of one type of product, and the next country, right next to it, just a few kilometres away, buys it at the spot market. This is certainly a very inefficient way of procuring and distributing hydrocarbons. If one adds up what the African countries are losing in terms of resources just on that account alone, one will see that it adds up to something like half a billion dollars a year. That is a lot of money, if each country does it on its own. To give you some sense of perspective, that is about half of what the World Bank disburses in policy loans in all Sub-Saharan Africa together. All that I want to point out here is that there are issues that can be addressed on a regional basis, which should be addressed on a regional basis, as a way of undertaking certain economic activities in a more efficient manner. And certainly there are way of dealing with those issues.

My second point is on the sequencing of policies and the limited supply response that some countries have. I should like to introduce a note of caution here. I think that it is imperative that a structure of incentives must be created which helps the countries to direct resources to where they have comparative

advantages. One of the lessons we have learned, in a hard way I must say, is that one cannot mimic the market in any reasonable way, particularly in countries where there is limited administrative capacity. Maybe in Korea, where there is a certain administrative capacity: and maybe in some Latin American countries, there is, up to a degree, a capacity to deal administratively with certain incentive structures. But certainly in Africa, it is very important to create the conditions so that the resources go in a spontaneous manner to the sectors that do have the comparative advantage, and there is simply no substitute for that. Therefore, I should say that the changes of the incentive structure has to be very much in the front end of the structural adjustments. This should not be the only means, clearly not. And there are supply enhancing measures that also have to be taken at the level of training, at the level of know-how, at the level of investment. Clearly, they have to go hand in hand, but one cannot substitute one for the other.

And last but not least, on the question of to what extent the developing countries are price-takers or price-givers, and what do they do about it. It seems to me that the important question here is not so much whether the countries suffer the effects of unfavourable terms of trade, meaning that their export prices go in a different direction from their import prices. It seems to me that the important question here is what will the countries do about that situation. Let me give you one example again, as a case in point. In the mining sector, one of the interesting phenomena that we are seeing in the world today is that, because of the lower prices of a number of commodities, the break-even points — that is the point from which enterprises begin to be profitable — have declined very radically in a number of countries, in the United States, in Australia, and in a number of Latin American countries, such as Chile. And by way of contrast, they have not done that in Africa. In other words, they have been losing their competitiveness. Whether we like it or not, the African countries have to compete with the Philips-Dutch of this world, with the Codelco's of this world: they have to be competitive. They have to reduce their break-even points as well. And the question therefore is what do they do about this situation, and in what way can the international community help them in this respect. It seems to me that, if I may add to the list of points where Japan and the World Bank can join forces, the overall interest is to make it possible for African countries to be competitive in this more competitive world: and to help introduce the technological changes, the policy changes, the institutional set-up which will enable them to reduce also their break-even points in order to be competitive in this international environment.

YOSHITOMI: Thank you. It is now late, so I should like to conclude this session by saying that it is very encouraging to note that in Latin American countries

basic or fundamental changes in thought are now taking place, and that we hope that fundamental change will affect the policy-makers and voters as well. And in Africa we learned that countries which have implemented structural reforms are now growing faster than other countries which have not. So in the very near future, we shall see a brighter picture than today. I shall leave the concluding remarks to the organizer of the session. Thank you.

PANEL DISCUSSION II

Theme

Technical Cooperation for the 1990s

Background

In parallel with the ongoing qualitative improvement and quantitative expansion of Japan's Official Development Assistance under the Fourth Medium-Term Target, technical cooperation to developing countries has been actively progressing in order to contribute to their human resources development and technical development, including assistance to help them foster an enhanced technical manpower. Against this background, experts and scholars in various fields are being invited to join in a panel discussion on the above-specified theme, presided over by Mr. Hirono, Assistant Administrator and Director of the Bureau for Programme Policy and Evaluation, UNDP, who has been tackling the same theme at the UN.

Subjects of Discussions

(1) Cooperation Compatible with Development Stage

To ensure effective development cooperation, approaches should be taken depending on the development strategies and achievements of the recipient countries. What, then, are the appropriate approaches? In particular, what official and non-official development assistance should be given to broadly classified developing countries such as NIEs, Near NIEs, and to other less developed countries?

(2) Review of Cooperation for Human Resources Development and Future Orientation Thereof

For the systematic promotion of human resources development, it is important to adopt appropriate approaches depending on the circumstances of each recipient country. It is also necessary that such a promotion is attained by the joint efforts of government and private sectors. From this point of view, what kind of problems are developing countries actually facing? What are the obstacles to joint promotion? What kinds of cooperation will be suitable for solving such problems?

(3) Ideal Future Cooperation by NGOs

What should be the objectives and role of NGOs in development assistance activities? What connections and types of cooperation should possibly and ideally exist between governmental assistance organizations and NGOs?

(4) Linkage between Multilateral and Bilateral Assistance

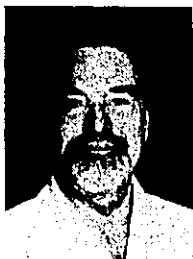
For ensuring effective cooperation, close coordination and association must be maintained between multilateral and bilateral assistance. In what specific ways should such cooperation and coordination be achieved?



Chairman

MR. RYOKICHI HIRONO

Born in 1931, Mr. Hirono is an Assistant Administrator and Director of the Bureau for Programme Policy and Evaluation of UNDP. He was graduated from the University of Chicago (M.A., Labour Economics) in 1959. He served as a Research Economist at the Japan Management Association from 1960 to 1961. He became an Instructor of the Department of Economics at Seikei University in 1961, an Assistant Professor in 1964, and a Professor in 1970. He was Director of the Development Planning Department of the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) in 1974. In 1976, he again became a Professor of Economics at Seikei University. In 1987, he was appointed an Assistant Administrator and Director of the Bureau for Programme Policy and Evaluation of UNDP. Also, he has been a Guest Professor at the University of Singapore, the Australian National University, as well as other foreign universities.



Panellists

ROYAL PROFESSOR UNGKU ABDUL AZIZ

Born in London in 1922, Royal Professor Aziz is a former Vice-Chancellor of the University of Malaya. After graduating from the University of Malaya with a major in Economics in 1951, he became an Instructor in Economics there in 1952, head of the Department of Economics, Faculty of Arts in 1961, Dean of Faculty of Economics and Administration in 1965 and a Vice-Chancellor in 1968. He received his Ph.D. in Economics from Waseda University in 1964. He has served actively as a specialist member of ILO and UNESCO. Moreover, as a friend of Japan in Malaysia, he has long contributed to the relationship between Japan and Asian countries, especially to academic and cultural exchanges with ASEAN countries. He received the Japan Foundation Award in 1981.



MS. SARAH TIMPSON

Ms. Timpson is Programme Director, Division for NGO Matters, UNOP. In 1956, she was graduated from Smith College (History of Arts). In 1967, she received her M.A. in Economics and International Affairs from Johns Hopkins University. Her career at the UN and UNDP has been as follows:

- 1961 Stenographer, UN
- 1967 Projects Officer, UNDP
- 1974 Programme Officer, Latin America
- 1977 Resident Representative, Costa Rica
- 1981 Chief, Country Programmes



PROFESSOR FUMIO NISHINO

Born in Osaka in 1936, Professor Nishino is a Professor at the University of Tokyo. He received his Ph.D. in Civil Engineering from Lehigh University and became an Instructor there in 1964. In 1965 he became an Assistant Professor and then an Associate Professor at the University of Tokyo. Since 1975 he has been in his present position. During these years, he served as Assistant Professor and Professor at the Asian Institute of Technology (AIT) for five years. For two years and four months he participated in the management of AIT as Vice-President. He has been a member of the 100,000 Exchange Student Programme Promotion Committee, a member of the Japan Preparatory Committee for Establishment of the United Nations University Japan Research Institute, and a member of the Operations Committee of International Development University.



MR. YOICHI SUZUKI

Born in 1949, Mr. Suzuki is Adviser to the Papua New Guinea Government (in charge of development programmes), and Development Specialist of JICA. He was graduated from Waseda University (B.A., Economics) in 1973. In 1976, he entered the Asia and Pacific News Agency and in 1980, he became Associate Expert in economic planning in the UN in Palau. In 1983, he became an Economic Affairs Officer in the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) in Bangkok. In 1985, he became Development Specialist of JICA (a member of the Institute for International Cooperation).

HIRONO: Yesterday, we had very good keynote statements by the Foreign Minister Uno, Dr. Okita, and Mr. Draper of UNDP, after greetings and introductions by our friends of JICA and OECF. We also learned in the afternoon session, when we discussed structural adjustment programmes in developing countries, how developed countries and the international community have responded to these challenges. I found that the discussion went on rather smoothly, and that everybody seemed to have enjoyed them.

However, there are a few things which I should like to innovate this morning. First of all, I should like to limit the paper presentation by each panellist to 15 to 20 minutes. I shall be very strict in this, and if you go beyond 20 minutes, I am going to drag you out of this room. And secondly, I should like to have the full participation of our friends in the audience, that is to say, all the Japanese and non-Japanese as well, including UNDP Res-Reps. So I should like to have a good discussion, not only among panellists, but also from the floor. This is therefore what I intend to do this morning. After a very brief introduction by myself on technical cooperation for the 21st century, I should like to call upon first of all Professor Ungku Aziz, whom I respect very much. He was the person who invited me to the University of Malaya to teach, back in 1964. And then I should like to call on Ms. Timpson, my colleague in the UNDP, who always tells me that I must emphasize NGO much more than I have in the past. Then to Professor Nishino, a good friend of mine, who has recently returned from Bangkok, where he was Vice Rector of the Asian Institute of Technology. He is now a professor of engineering at the University of Tokyo. And finally, Mr. Suzuki, with whom I used to work closely in Japan on different JICA programmes. So these are the panellists, who are all good friends of mine and with whom I feel very comfortable. I should like all the panellists to be very informal during this session.

As for technical cooperation, we all know that this is becoming a much more important element of the official development assistance of major donors around the world. According to DAC information, about 26 per cent of the total bilateral ODA is for technical cooperation. The corresponding figure for Japan's technical cooperation is still lingering around 15 per cent, and I am sure that, given the emphasis placed by both the Foreign Affairs Ministry and JICA, the proportion going to technical cooperation will increase in the future.

Now when we talk about technical cooperation, certainly we have to understand that it is really crucial for the economic and social development of developing countries, because through technical cooperation we try to develop human resources in the developing countries, and try to bring about what we call "institutional build-up" in the countries concerned. Without human resource

development, as emphasized by Foreign Minister Uno as well as Mr. Draper and Dr. Okita yesterday, I am sure that we cannot anticipate any sustained growth of these developing countries. Also, without such steady efforts for institutional build-up or capacity creation, I do not believe that the structural adjustment programmes can be implemented effectively, regardless of how right those policies may be. This was mentioned in the discussion yesterday by Dr. Yanagihara of the Institute of Developing Economies. That requires a tremendous capacity of the government and the other partners to deal with development issues in developing countries. And therefore, I should strongly emphasize that as we move into the 21st century, technical cooperation will become increasingly important.

While we all share the increasing importance of technical cooperation in the future, when it comes to how to provide technical cooperation more effectively, that really becomes a point of departure for many people. Some people believe that technical cooperation is still technology transfer. But I think we realize increasingly, within UNDP, World Bank, and the international community, that technical cooperation is not just technology transfer. It is really a creation of the capacity, as I mentioned, of the people in developing countries to deal with their own domestic economic and social issues as well as international economic and social policies. It therefore goes beyond technology transfer. I think that this point is becoming better understood. Just to publicize UNDP, particularly for the Japanese within the audience, Mr. Draper recently convened a very interesting meeting to which a group of external experts, whom we call development leaders, were invited from around the world. This group consisted of six experts from developing countries and six experts from industrial countries, including Professor Sadako Ogata from Japan, and we discussed the future role of UNDP and technical cooperation in general toward the 21st century. A number of issues emerged from the two days of discussions, and there was a general consensus that all of the long-term issues which we have faced in the developing countries over the past 20–40 years, such as poverty alleviation, would continue to be dominant issues that we will have to tackle also in the 21st century. But at the same time, the human dimension of development, which I think we called “human security,” and science and technology will become very important issues in the developing countries in the years ahead. I am not going to recapitulate the group’s discussions in New York, but there are two important questions which I should like to raise, and which I ask the panellists to address: one is the relevance and effectiveness of technical cooperation, and the other is the efficiency of technical cooperation. Both are issues with which we are all concerned.

In regards to the relevance and effectiveness of technical cooperation, I should like to say very clearly that developing countries today are more

diversified than in the past. The so-called NIEs, such as Korea, Hong Kong and Singapore, are far more developed than before, and are capable of, and already are, providing technical assistance to other developing countries. We in the international community are still providing technical assistance to these countries, so their priorities of technical cooperation are quite different from the kind of technical cooperation required by the least developed countries in Africa and other parts of the world. Since there is an increasing amount of diversity in the needs and requirements of technical cooperation, the international community, including Japan, of course UNDP, and the World Bank, etc., must try to tailor their technical cooperation to those diversified and changing needs.

Secondly, a lot of the countries which are undergoing the so-called structural adjustment programmes, particularly those in Africa, have now realized that whatever is done at the government level alone is not sufficient. As Foreign Minister Uno said yesterday, the importance of the NGO is radically different today compared to say 20 years ago. We cannot really pursue technical cooperation without the full participation of the NGOs and the private sector, which is a point Mr. Draper stressed in his remarks yesterday.

The third aspect which must be taken into consideration when discussing "relevance" is certainly the desire by all donors to pursue certain policies in their own technical cooperation. That is to say that they should not continue to provide technical cooperation on a project basis alone. They must look into the future in terms of programme or sectoral technical cooperation. There may be a greater need for policy-based technical cooperation to meet the real needs, not the apparent needs, of developing countries.

Finally, I should like to say a few words on the efficiency of technical cooperation. We all know that the money which is being provided by the donors, be it bilateral or be it multilateral, is taxpayers' money, and certainly, being a taxpayer, I myself am very aware of the need to constantly improve the efficiency of technical sectors, such as the private sector, in order to be more efficient in our technical cooperation in the future. That would be beneficial not only to the industrial countries which are donors, but also to the developing countries. These, therefore, are some of the points which I should like to raise, and which I should like the panellists to address.

May I now ask Professor Ungku Aziz to make his initial statement?

AZIZ: Thank you, Mr. Chairman. Mr. Chairman, honoured participants, I would like to begin by establishing a link between the discussions yesterday and the discussions today, both at the beginning of my presentation and then, as we go along, I will do some linking here and there. If you look at my paper, the first paragraph says, "The main assumption for the provision of technical assistance is

to enable the receiving developing country to achieve its aims of economic development." Now this is a very trite statement, but it is the assumption I believe that is in the minds of those who are negotiating for the provision of technical assistance. If we compare this with the discussion yesterday, I at least, got the feeling (and of course yesterday's chairman could very well challenge me and say, "Why didn't you put your hand up?" – well, I wanted to give others a chance to speak first because I knew I should have my turn this morning) that yesterday the participants believed that, if in some way, the flow of money, the problem of loans and grants and debts and moratoriums could be adjusted, then economic development would take place. If I sum them up rather brutally, I should say the main theme was the money sign or the dollar sign or the yen sign or whatever it is. And today, I feel that we are going to turn to the other side of the coin, and that is what in Japanese is called, "kokoro." In English it is called "mind" or "spirit." It is a very untranslatable word that has, even in English dictionaries generally, ten or fifteen meanings. So you can take your pick.

I believe technical assistance has to deal with what is in people's minds, and later on I will come to this as a question of needs, wants, perspectives, and so on. I had best dive right in and point out that when an aid project is being thought of, there are four different aims; there really is not just one aim with which everybody is in agreement. There is the general aim of the intending recipient, which is the developing country. Take the case of Malaysia, which is a bit unique, but nevertheless it is good for purposes of illustrating what I have in mind. The Malaysian government is committed, and has been committed ever since 1970, to what is called the New Economic Policy. We wish to eliminate poverty irrespective of race and we wish to restructure our society so that no one ethnic group has control over a particular sector of the economy. These are very clear policies that run right through investment, employment, education and so on. It so happens that 80 per cent of our ethnic nationals, the Malays, who form half of the population, are peasants, which means that any projects for their benefit really have to be in the rural areas. Then for the non-Malays, two-thirds of the Chinese are living in the towns. So not only are there differences in ethnic economic sectors, but also there is a concentration of ethnic location. And any development project negotiated has to take account of this. Then there are the specific aims of the project, which could be anything from a new seed to a rock mechanics laboratory. Once it has been defined, then it is very clear and generally is not much of a problem.

The general aims of the donor include everything from foreign policy to the milk of human kindness. Then there are the specific aims of the donor, wishing to develop transportation in a particular country or to improve the tax system or

whatever.

Well, all these four aims have to be fitted together as a first requirement for success in a project. If there are differences perceived by the donor or the receiving country, then it is likely that one is going to have a bumpy ride and the project will not go along very well. Sometimes because leaders want something to happen, people can promise and issues are not defined.

In the paper I have used the Japanese – English word “grey.” Grey is the colour which is neither white nor black, and in the Japanese mind, this means vagueness, as interpreted by me anyway. So I use greyness here, and for those of you who do not appreciate the niceties of English spoken or written in Japan, that is what is meant. Then I point out that even though at the beginning, more or less, these four aims may coincide, as time goes on, especially in long projects taking five or seven or eight years, the dynamics of the situation may change. The cost of energy may change, there may be changes in government and so on, and this can also get the aims out of kilter or out of coincidence. So regarding aims, I sum up my advice by saying, clarity of purpose and sincerity in implementation are essential for success.

The next thing is more complicated, and this is the difference between needs and wants, as well as the perspective of needs. Those of you who are interested in theories of thinking, psychology and so on, will know, if we can change our perspective, very often we can see a problem in a very different light. So if you want to have a lot of alternatives, you should have the possibility of getting different perspectives into your mind. The same thing applies here. A country may need reforms. It may need education, it may need some language reform, which I will talk about, but the leaders, be they NGO leaders of cooperatives or women's groups, may say that what is needed is a big building, or the ministers may say that what we need is a splendid bridge here, and then everyone can see what a fine leader I am and how kind the Japanese are to help build this bridge. And so the bridge is built. Whereas in fact the needs may be different. We can take as an example (this is where the Chairman's secret plan to get you all excited and to make comments is, so I am participating in that and I am contributing my ten cents' worth) a country like Africa, about which I confess I know very little. From Southeast Asian experience, I would say that before one even thinks of literacy, and yesterday I think literacy campaigns were mentioned in Africa, one must think of solving the language problem. I mean, Africa has thousands of tribes and hundreds of tribal languages. The elites speak either English or French. For cultural reasons, very often they have very different perspectives than the mass of their people, because they have been Frenchified or Anglicized. When they return home, they drink wine and look back to the times

of their student days when they were sitting on some boulevard. They read all the latest magazines and their wives keep up with the latest fashions. The mass of people are not like that. What happens in a case where you have no script and a very large proportion of the population do not read English or French, is that they are not locked into the modern world. In Japan you are closely linked into information technology. They do not even have a simple printed newspaper. So how can one get these people to become industrialized? How can one get these people organized that one can mobilize their savings? All this is simply not possible. One depends upon verbal communications, which in modern times really does not work for very large numbers except over a short period. So development, I would suggest in this particular case, has one vital prerequisite (I go around making this kind of statement all the time at home so nobody is surprised; maybe people here are a bit worried that this professor jumps in so abruptly. Well, I have had my toes burned off and so I say this). One cannot make progress unless one has a national language. This is a very big decision to make. Most of the elites say, "Oh, everybody's going to speak English." But in Southeast Asia, we do not think so. Apart from the Filipinos (and even they use their own languages like Tagalog and so on, very extensively), in Indonesia and Malaysia we have decided we would run our education system in the Malay language, and Indonesian, which is very close. And we can train workers, we can take people up through university level now in our own language. In Thailand this is carried out in the Thai language.

At the same time, we also insist that people learn English as a second language, not as the main language of work. Now, I would think before one talks of literacy campaigns, one has to sit down and persuade the leaders concerned to face these very awful and brutal issues. These are their needs, what they want is something else. They do not want to create a national language in Africa, because of tribalism and so on. It would be very difficult to decide in any particular country which particular language was going to be the national language. But unless they do so they are going to be running around having the kind of problems that were beautifully described yesterday for a very long time.

This business of wants and needs, and a donor and a recipient allows one to create a matrix. (We do not have a white board or an overhead projector here so you will have to use your imagination.) We have wants and needs, donors and recipients in a four-part matrix. Very often the donor thinks the recipient needs something. The recipient thinks he wants something and he rationalizes that he needs it. The recipient thinks the donor would like to give him something, or he can manage to squeeze something out of the donor. And your two-part game produces a lot of problems. I think because they are so terribly polite, the

Japanese do not tell us this, but I am sure many people, many officials and political leaders involved in aid programmes suffer terrible psychological traumas when they feel that somebody needs something, but they dare not, out of sheer politeness or political courtesy, say to them, "What you really need is this, and we can help you with this." They have to negotiate very delicately to see what people want, and they maybe manoeuvre them around. The Japanese side in reality also has certain criteria and certain constraints, and so what they can offer is also limited, subject to their policies and laws and so on. This is very delicate. Five years ago, I was involved in negotiations to set up a centre for training people in Malaysia to enter Japanese universities. We spent a year dancing around the negotiating table. It was very beautiful, and at the end, I am glad to say, the project was set up, and today, six years later actually, the first graduates from Japanese universities have come back to Malaysia. In this programme they study for one and a half years in Malaysia in this centre, and then they can enter any one of 42 universities in Japan. All the graduates have got jobs. I hate to say to my American friends that we sent more than 10,000 to America, and there are a large number of American graduates, especially from midwestern universities, for some strange reason, who are unemployed at the moment. Maybe the number is too large. But that was our policy because we thought education in the English language was what was needed. I felt that some Malaysians should go to Japan and get a Japanese education. Fortunately, the people on the Japanese side eventually agreed with me, and so there was a coincidence of the ideas of the donor and the recipient, the wants and the needs. The project has worked very well, and it is reviewed regularly by our Japanese friends, and we are very happy that it does work. Now we can expect about a hundred people to go through this system every year. At this moment, there is serious consideration being given to doubling its capacity. This is a project that works.

There are probably lots of projects that do not work, but one has to balance this out; one has to find some way of playing what I have called, at the top of page two (of the paper), the two-game problem, satisfactorily. So that people do get something they really need, and one persuades them to want it as best one can. I do not think that a donor can be like a shopkeeper waiting for customers to come in. I think the donor has to go out to some extent and sell his wares. If both sides are very sincere, I think it should be able to work out. I have about two or three minutes left, according to the Chairman's discipline, so I shall just say a few words on NGOs. We had some problem prior to this discussion in defining NGOs. Here I sound a bit discouraging. I should say that I am, in another capacity, the President of the National Cooperative Movement in Malaysia. All cooperatives in Malaysia, agriculture, fisheries, education, etc., which consist of eleven functional

groups, belong to our national organization. And in the cooperative central bureau we handle about US\$20 million a month, so we are no small organization. We have not had a single occasion to deal either with UNDP or any official Japanese aid. We do get some aid from Japan. We are in direct contact with the fisheries cooperative organization in Japan, the agricultural cooperative organization in Japan, the consumers cooperative organization in Japan – they give us aid. They send ladies who introduce the Japanese hand system to our ladies, and so on. But for some reason, which perhaps might come out in the discussion, we have not had any contact with NGO aid in my part of the world. From my observation somehow or other, I am not very optimistic. NGOs may get help from NGOs, but not from any foreign government: it is very difficult. Everybody talks about G to G, and if you have G to G going down to an NGO, very often the NGO, under the second G is a rather tame affair that has no real operational activity. So you wonder why the project doesn't take off. That is very simply what it is. I see this as a problem. So I feel, Mr. Chairman, that for NGOs and multilateral negotiations – in Southeast Asia, people have a concept called "mushawara." Now in Arabic, it just means having a meeting, but in Malay language, and in the Indonesian language, it means getting together and talking and talking until everybody reaches agreement. At the village level, where you have years to go on talking, it is all right. But in the modern style, this does not work. Everybody wants to take a vote, and a majority of one vote even, wins. So that is not mushawara. And we love to do it by mushawara, so bilateral negotiations are much better, because even if it is by mushawara, it will be shorter. Multilateral negotiations under mushawara imply that you have almost an infinite amount of time. Thank you, Mr. Chairman.

HIRONO: Thank you very much for the talk. I am not going to sum up any discussion presented by each panellist to save time. So would you, Ms. Timpson, go ahead?

TIMPSON: Thank you, Mr. Chairman. We have been asked today to speak about looking ahead to the 21st century. Until recently, the 21st century was primarily the realm of futurologists and science fiction, but now that Orwell's 1984 has come and gone, we have begun to realize that the year 2000 is almost upon us. In fact, it is only about 2,500 working days away. What does that mean for those of us who are gathered here today to discuss technical cooperation in the 1990s? Well, for one thing, it means that we no longer have to engage in fantasy and wild guesswork to imagine what the world will be like as we enter the 21st century. By projecting the trends of today, we can see the scenarios for tomorrow. Some of these trends are exciting and inspiring. Others are most alarming. So our main job must be to examine carefully our past programmes so we can learn what

adjustments may be necessary to ensure that technical cooperation in the 1990s will reinforce the positive trends and overcome the negative.

Since this panel has been asked to concentrate on human resources development and NGOs, perhaps we should look at one of the most striking phenomenon of the human condition today: the human potential which is being wasted because of growing numbers of people in the world who are living in poverty. This is true not only for the world as a whole, but even for the many newly industrialized economies, where the gap between rich and poor has been widening. Recent statistics from a UNDP Critical Poverty Project in Latin America put the current average in that region at 40 per cent of the population. The same has been said of the SAARC countries in Asia. These figures are worsening despite development success stories measured by overall economic indicators.

So perhaps we had better take a closer look at what we mean by development. Unfortunately, too often development has been confused with economic growth and modernization. As pointed out by Eliot Richardson at a recent meeting at UNDP, we have been trapped by the economists into thinking that growth in gross national product is an adequate indicator of the quality of life, and that the amount of material goods accumulated is a measure of success. They have been able to do this because the issues economists deal with are quantifiable and easily measured, while other quality of life indicators are not. Development is a process, not a product, and some of the more comforting statistics which we heard yesterday masked some grim human realities, for country after country. While modernization and economic growth may have increased well-being for some, it has deprived others of time-worn survival systems. Let us take an example. That of a village boy, who showed great promise in the local school, so his family, assisted by the community, sacrificed and saved and borrowed to be able to send him away to school. He goes, and gets a fine liberal arts education, and eventually a civil service job. His family is filled with pride, and at last he can send money home to repay the investment they placed in him. But the country is in economic crisis. A structural adjustment programme is initiated, and he loses his government job. As no one is ready to invest in the private sector in this disaster-struck economy, he cannot find employment there. He has no assets, so he cannot obtain a credit to start up a business himself. He cannot go home, because he would lose face and because his family would never understand. And so he turns to crime in order to keep sending some money back. Modernization has not meant development for this man.

It is cases like this which are leading to unease and alienation among large segments of the population in the developing world. People who have no stake in the status quo become ready to challenge it, giving rise to crime, to terrorist gangs

which can eventually become movements. If these trends are not reversed and eliminated in the 1990s, the 21st century will be a grim one indeed! We must find a way to strengthen civilization, not destroy it.

Issues of this kind have led many development theorists and practitioners to advocate a new focus: people instead of products, societies instead of economies. They have called for social indicators which measure well-being instead of economic growth, and which can record qualitative improvements as well as quantitative ones. The King of Bhutan refers to GNH – gross national happiness. Mahbub ul-Haq calls for “not just another addition to the development dialogue, but an entirely new perspective, a revolutionary way of recasting our conventional approach to development.”

Broadly, human needs can be grouped into two categories: physical and psychic, as my colleague on the panel has just said. In the first category are those which we all need for survival: water, food, shelter, health and reproduction. The second comprises a spiritual dimension and includes individual psychological needs such as self-respect and respect of others; the ability to influence events, exercise more control over them; overcome insecurity and prevent adversity. Satisfaction of both kinds of needs is fundamental to human development. We have just had one more example of this in Chile yesterday, where a majority of the population, when finally given an opportunity to express their views, made it clear that although economic indicators from that country have been good lately, they prefer democratic freedoms. Unfortunately, no society – or economy – appears to have succeeded in ensuring that even the physical needs have been met for all of its citizens. Our task, as we move through the 1990s must be to tailor our assistance to making this happen.

In such a vision, human beings become the fulcrum of development: its subjects as well as its objects. The phrase “human resources development” moves beyond a narrow definition which focuses on formal education, technical and skills training, to one which takes a broader look at human potential: at human beings as the end and not just the means of development.

A more appropriate definition might be the one cited yesterday by Mr. Draper: “releasing people’s creative energies and providing them with the opportunity to take responsibility for their own development and that of their communities.”

For such a process to work, three elements are required: motivation, for which there must be a reasonable expectation that action will have positive result; information and knowledge, which includes not only formal and informal education and training, but also continuing communication and access to information; and an enabling environment and other facilitating elements such as credit,

markets, prices, land distribution and tenure, legislation and infrastructure.

The goals of human resource development in this broader definition are qualitative. They cannot be measured by counting the numbers of people who have gone through training, but only through the results of this training. Indicators of success are self-management, self-confidence, critical and analytical problem-solving capability, group cooperation, ability to deal with government, and reduced dependence. These must be available for both men and women. They cannot be measured quantitatively, but can only be evaluated through observable changes in behaviour.

The implications for technical cooperation are considerable. Even the language may have to be changed. Technical implies that development is a question of finding the right technical solution. Although this may be part of the problem-solving in the scheme of human resource development, it is usually not enough.

Development agencies have changed from their earlier word "assistance," which denoted a one-way flow, to "cooperation," which indicates a two-way interchange. However, attitudes have not always kept pace with this intention. We still often think in terms of a one-way transfer of knowledge from an expert to a beneficiary. We must learn to acknowledge that people, even the most disadvantaged, already have major skills, including survival skills. We must recognize that adults learn and improve their capabilities by doing things for themselves, and not by being told what to do (which is, by the way, why the NGO division does not normally spend much time delivering speeches, but rather focuses on encouraging our resident representatives to try out new actions, themselves!).

Technical cooperation must move to become a two-way learning process in which both the external agent and the local partners exchange information based on their respective knowledge and experience, analyze their particular reality and the options open to them, and together develop a solution and course of action. This way, external knowledge can be more effectively plugged into the local conditions. It is a creative process, not a transfer or imitation. It will mean that local partners can identify with the action decided and be more likely to sustain it. By treating our local partners with respect for, and trust in, their abilities, we can enhance their self-respect and self-confidence. You will realize that this will require a major shift in the way most technical cooperation programmes operate, and in the way projects are designed, implemented, evaluated and even identified. It implies passing much more control on the processes over to local partners. And it will call for the use of local resources wherever possible.

When I say local partners, I am not only referring to our government

counterparts, although the process also applies at this level. We and they must adopt it in dealing with the ultimate beneficiaries, the real local partners of the future. It is only through an approach which will enable people to take action to improve their own lives, that the trends I cited earlier can be reversed.

That is all very well, one may say, but it is quite impractical. How do we go about reaching a grass-roots peasant? This is where the NGOs come in. They have a role in two ways. First, for NGOs defined in the narrow sense of private voluntary development organizations, both indigenous and external. For a variety of reasons, including their own voluntary motivation and philosophy, and the fact that they are usually closer to the people, they may be better prepared to work in this human-centred, participatory mode and with the poorest groups of the people. Some have been doing so for years. Others, who may have been more relief- or charity-oriented, are only more recently experimenting with development approaches which reduce dependence instead of creating it.

A great many donors are now recognizing the potential of NGOs, and are increasingly channelling their funding through them, which totalled some US\$4 billion last year. Even the World Bank and the regional development banks are making major efforts to enhance collaboration.

Among the recent trends in this area, or perhaps the most interesting is the growing movement among a number of European and North American NGOs to join forces with local NGOs in developing countries, and work with and through them rather than carrying out activities directly. Moreover, the type of cooperation is gradually evolving, from one which largely "used" NGOs to "deliver" projects defined by the donor, to one which includes institutional support required to build up the local NGOs' technical and management capabilities.

Most importantly, they are beginning to provide the block grant and programme support which southern NGOs need in order to be able to work with a community, to stimulate them to take the initiative, and to accompany them as they decide on action and start to implement it.

This "processs" approach is a key to effective cooperation at the grass-roots level, and is one which UNDP and other donor institutions must pick up on if our operation is to build sustainable systems. Our "project" approach is one which is suitable to infrastructure and other capital development actions. It is not so suitable for human development, which is by its nature a continuing process, often unpredictable and not amenable to rigid projections and PERT-diagrammes. Here too technical cooperation has been trapped by a system developed for other purposes which is not appropriate for our needs. We must develop one which is more suitable, in order to be relevant in the 1990s.

But when I speak of NGOs, I also speak in a larger sense, of all those societal structures which are not governmental: community organizations, interest groups, mutual aid societies, associations, cooperatives, intermediary organizations, and advocacy groups. These are the structures of a civil society which enable people to get involved, make their views known, meet their needs, develop their potential and take control of their lives. These are the instruments of self-sustaining human resource development, of human civilization.

Where does UNDP fit into this picture? It seems to me that here we have an excellent opportunity for UNDP to take the lead, and to consolidate an identity. For years, as development was defined by its economic dimension, UNDP was caught in the wake of the Bretton Woods institutions. Now that people are beginning to realize that we have been led astray by both Adam Smith and Karl Marx, and to recognize that development cannot be defined by economics alone, the time has come for leadership by UNDP, which has always had the human dimension of development as a major element in its programmes. But to do this effectively, we will also have to learn from our own and others' past experience, and develop innovative responses and modalities which will take account of these new dimensions of human resource development.

One thing we can do is put more stress than in the past on traditional, social, and human development indicators, cited by Mr. Draper yesterday: levels of education, health, housing, nutrition, child mortality, employment. Gender breakdowns are particularly important here. Mahbub ul-Haq has advocated compilation of poverty profiles and a human balance sheet as the first step in the planning process. We can make sure that such tools are up front in the advice that we provide to governments, in preparation of round tables, NATCAPs, country programmes, and planning projects. We can play a role in trying to increase other donor funding for these sectors.

Secondly, we can try to involve NGOs more systematically in policy dialogues. They will usually bring fresh insights and a human micro viewpoint which differs from the macro-economic ones to which we are more accustomed. NGOs have told us that a particularly useful function which UNDP can play is one of facilitating and opening up the possibilities for them for a dialogue with government, and helping them gain access to government services. This can be a very good way of helping to ensure government extension workers really reach the poor.

We can involve NGOs in project identification, design, implementation, and evaluation in order to assure a direct and active input of the people we want to reach, particularly in projects in such areas as rural development, agro- and socio-forestry, micro- and small-scale enterprise, primary health care, urban planning,

housing construction, water supply and sanitation, just to name a few; in fact, any project where participation of local partners is a key to success. We can also provide institution-building support to NGOs so they can expand their activities and their abilities to manage this expansion. In looking at the private sector, we should be aware that in some countries it has been estimated that as many as 50–60 per cent of the people are employed in that part of the private sector known as the informal sector. The microenterprise which often is not legally registered but which provides a means of survival for so many of the poor. By improving conditions of operation of these businesses – access to training, credit and technical advice; we can contribute a great deal to raising the productivity of the poor. It is very encouraging to note that several Res-Reps have dedicated one or more of their private sector meetings to the informal sector where they have discussed what more UNDP and Government can do to facilitate the activities of these micro entrepreneurs.

These are just a few of the ways in which UNDP can act to move people to the centre of our development programmes. And I am very happy to see that this is happening. Our field offices in all regions have been moving quickly to get to know NGOs working in their countries better. Our new Partners in Development Programmes has put \$25,000 at the disposal of Resident Representatives in 40 countries for award to innovative NGO projects. Grass-roots initiatives support fund projects, financed from IPFs, are being set up in a number of countries to make funds directly available to grass-roots communities for activities which they have initiated. And UNDP has just prepared a new set of posters, which I understand should be ready by UN Day. Each one has a picture and a caption below: “UNDP Equals People Plus Shelter,” “UNDP Equals People Plus Agriculture,” “UNDP Equals People Plus Education,” and finally “UNDP Equals People Plus the Future.” This is putting people back where they belong, in the centre of our equation for development. When you receive these posters, take a look at the people in the pictures. Ask yourself what development means to each of them. And then ask yourself, in how many cases that you know of, has one of such persons had any say in the design of the project, or even in deciding that they want a project. We have to start treating them with respect as human beings, who have a basic right to decide for themselves what action they will take. We must enable the poorest and most disadvantaged to take a first step in gaining better control of their lives and environment, in becoming masters of development and not its slaves. This is human resources development for the 21st century, in the most fundamental sense. Practising what we preach UNDP should begin by developing our own human resources. This is why we are all here this week and next. I hope it will be a good learning experience for all of us. Thank

you, Mr. Chairman.

HIRONO: Thank you, Ms. Timpson. Ms. Timpson, being a UNDP official, used certain abbreviations which I am sure most of you do not understand. One is IPF, "Indicative Planning Figure," which UNDP uses in order to provide a certain indicator on how much each and every developing country will be able to receive for the five year period, for technical cooperation resources. Another one which was mentioned is "round-table." Round-table is a mechanism which UNDP, like the World Bank, has installed in the form of consultative groups (CGs), to mobilize donor resources in a coordinated manner for target developing countries. Round tables are being held under UNDP auspices in many, over 24 countries at the moment. And then she also mentioned "NATCAP," which is National Technical Cooperation Assessment and Programmes. Again, this is one of the devices UNDP has installed to find out what are the real needs for technical cooperation in each and every developing country. We have installed this mechanism in over a dozen countries, mainly in Africa where such assistance needs are great. I just wanted to explain some of these abbreviations she used. Thank you. So could I now proceed to Professor Nishino, please?

NISHINO: Thank you very much, Mr. Chairman. I, myself, am very interested in cooperation in education. I am particularly interested in cooperation in which higher education is provided in developing countries, the kind of education that is provided in developing countries, the kind of project that offers higher education to developing countries. So I shall not be talking about concepts or principles or ideals. I shall give a sketchy presentation based on my experience, and if there are any questions from the floor, I shall be glad to answer them. Another field of my specialty is civil engineering. Maybe I should say improvement of infrastructure in various countries. I think civil engineering is extremely important in providing technical cooperation to improve infrastructure of recipient countries. Another point that is listed as a theme of the symposium is to provide assistance for formation of human resources, training and education of people. When we talk about education and training, it covers a very wide range, starting from primary education to higher education in universities. Training can mean a lot of things: the training on a floor-level at factories, the training of administrative workers, or the training of engineers. That may require a higher level of technology. It can be the training of top management of enterprises. It can be the training of administration institutions, or it can be the training for researchers. In all of these aspects, cooperation must be extended and I sometimes wonder what should really be the ratio of these efforts. I just went through some figures this morning. Japan has been offering training assistance in education, and maybe 20,000–30,000 people are receiving training outside formal education,

outside of formal education facilities. And these are the people who are being trained through assistant projects or they are the members who receive training from volunteers, technical volunteers that we dispatch to developing countries. I think if we include those numbers, the numbers of trainees, then the number would be much more than 20,000 or 30,000.

Now, there are also about 20,000 people who are actually receiving training in official educational institutions. That is, about 20 per cent in high schools, 40 per cent in universities, and 40 per cent in graduate schools. About 4,000 of the 20,000 receive governmental scholarships. We have about 3 per cent in technical high schools, 12 per cent in universities, and 85 per cent in graduate schools. I do not know whether the ratio is acceptable or not. I cannot give you any answers, but this really shows you the current figure. Roughly speaking I do not think that this is a bad ratio. We often say that in Japan we are not receiving as many students from abroad as we should, as an industrialized country, so maybe there is still some room to increase the number of students we receive from developing countries.

In regards to educational cooperation which is extended in this country at the graduate school level, the Japanese language is a high barrier. As mentioned earlier, in order to have a true development of a country, one must have a national language; one must have a unified language. If students come to Japan for short-term training, training takes place using English or other foreign languages. But if students come to receive education in high schools or universities, they must be educated in Japanese. We expect them to be educated in Japanese, because all of these students come to Japan to learn a certain technology. At the same time, I think that they should be exposed to various aspects of Japanese society, including culture and social customs, etc. If that is one of the objectives of obtaining an education in Japan, then education should be done in Japanese. Since the students come to this country to acquire technical knowledge, and some people think that language is a mere tool by which they learn a given technology, and if we emphasize the language education too much, the total effectiveness of education diminishes. If, for instance, students need two years of Japanese language training before they go to graduate schools or start learning technical information, it will take more time and will cost twice as much. I recently made a comparison of inviting a student to America and inviting a student to Japan, and of course, as you can imagine, it is much costlier to invite students to Japan, besides the question of whether the parity of the yen and the dollar is proper.

Another problem I would like to raise as part of education cooperation is the number of institutions that provide this kind of cooperation. It tends to

concentrate on talented persons or capable persons. If we are to train university teachers of developing countries, it sometimes does not mean that university teachers are the elite or the cream of the elite of the society. For, in many developing countries, the elite are not in charge of university education. So what I am saying is that we do not really have to offer our training to the most intellectual people or to the cream of the elite. The situation in this country was different during the development period after the Meiji Restoration. Many people were interested in education and they received quite a good remuneration. The situation is quite different now, and the same thing can be said about developing countries, and maybe this is one of the reasons why they have that much difficulty in training proper specialists.

Another problem I should like to refer to concerns the preference as to whether cooperation should be done in a bilateral manner or a multilateral manner. Well, if we are to deal with global issues such as water pollution or atmospheric pollution, then bilateral cooperation does not suffice. One needs multilateral cooperation schemes. But things are not that simple. Last year I attended a conference at the headquarters of UNESCO which was entitled "A New Design for UNESCO." Discussion centred around science, and it was proposed that they would like to choose themes that are global in nature, which I thought was a very good thing. And I understood that UNESCO is to cooperate with UNEP for environmental issues. And several countries can get together and try to cope with a given problem, and that does not necessarily mean that established organizations are going to play the role. Since UNESCO is having difficulty in choosing proper groups in each country, I think that the introduction of competitiveness is good in the work of UNESCO, because it may lead to better efficiency. I have supported the idea of introducing competitiveness but it seems that some people did not like it.

I once served in a research institute or school in Bangkok called the Asian Institute of Technology. Many Asian universities are now organizing graduate courses, and these graduate schools are seeking some kind of technical cooperation from advanced countries. With the exception of very few countries, most of Asia is not yet ready to establish the kind of graduate schools that some advanced countries, some industrialized countries have.

The establishment of the Asian Institute of Technology might be a convenient and an effective solution, because that university may be able to provide graduate school-level training to the neighbouring countries. Since the Chairman has publicized the UNDP, I should like to talk about the Asian Institute of Technology. Of course, it is feasible to establish an institution in this country that is dedicated to Asian students, or Asian studies; that is possible on a bilateral

basis. The Chairman talked about the relevance of technical assistance and effectiveness of technical cooperation. I think that the effectiveness or relevance questions are not really serious problems in higher education cooperation as long as specialized disciplines are established, because in graduate school, what one is trained to do is a faculty, a capability to solve the problems which the students face. We choose different themes, which we give to our students, and through these themes, they are required to solve a new set of problems. As long as this capability is developed, these students can and should be able to work effectively and efficiently in any given environment.

There is the problem of language, as other panellists have mentioned. The establishment of a national language is very important, especially in African countries. But it is also important to have a common language: one which is the first foreign language or the second language of the country, and which can be international. One good example can be seen in the Asian Institute of Technology. We have students from about 20 Asian countries, including Iran, Japan, and other Asian countries. We can only provide our education in English. I am speaking in Japanese, which is something I feel bad about since most participants in this room understand English, whereas only a few understand Japanese. When I participate in a conference in which my speech is interpreted I sometimes either miss the point or cannot follow the discussion. In recent years I participated in discussions with high-ranking government officials in France and Holland. We all decided speak in our own languages: Japanese, Dutch, and French. We had about two hours of discussion in the morning in which we were merely "groping about in the dark": we did not understand each other very well. So during lunch we all started to speak in English, and everything was solved: all the problems became very clear. Therefore I think that it is important to have a common language in which we can smoothly communicate.

It was a very fragmented presentation, and if you have any questions, I should be more than happy to answer them.

HIRONO: Thank you very much, Professor Nishino, for your presentation based upon your own experience at AIT and elsewhere. May I now ask Mr. Suzuki to continue?

SUZUKI: As I have come back to Japan, I also should like to speak in Japanese. The Chairman has referred to relevance and effectiveness, and efficiency, which are the two criteria for technical cooperation, so I should like to express my views rather freely. Throughout the discussions, economy, society, and culture have been pointed out as important domains of technical cooperation. It is not simply limited to the economics. But as I have been working on the frontline, we cannot ignore the economic aspect of technical cooperation, because budgets and

financing becomes very important. And I think that the first priority must be economic development of the recipient countries. Viewed in a mid-term to long-term span, I think that the world economy is alive and progressing.

The first theme of the panel is the cooperation in line with the stage of the development, and I think my point is related to that. When we look at the stages of development or industrialization, a country starts with the agricultural production, and then productivity of agriculture increases, which leads to the industries, and finally to service industries. When the manufacturing industries occupy 40 to 45 per cent of the economy, the manufacturing industries do not grow any further, and there is a shift in emphasis to the tertiary — service industries. I think that this has been proven by history. The reason why LDCs have not developed very much is that the conditions are not appropriate to induce development. And we cannot leave this as it stands. We need to help with infrastructure development to promote the economic growth and development. For example, Japan has decided to provide a large amount of grant assistance to Africa. We can divide the development into about four stages: a pre-development or preparatory stage, the initial development stage, intermediate stage, and the stage of needs, which is a stage after the LDC development stage. So, in reality, economics is also a requirement in development.

The first main question I wish to raise concerning this first theme of technical cooperation for the 1990s is that development and technical assistance are very dynamic. Technical assistance cannot be left without any change, because development is dynamic and technical assistance is dynamic. So one needs to constantly change in line with the changing environment, and ODA at the initial stage is very important, and then the private sector assistance becomes more important with a higher stage of development. And then after that, when knowledge-intensive industries become more important, I think that the technical assistance should be provided jointly by the private sector and the government sector, with the government sector playing the supplementary role. Technical cooperation should not be looked at only from the outside. Looking at it from the inside, efficiency becomes very important. In order to increase efficiency, we need a substantial effort from the donor, and we must remove the constraints on the recipient. Without that, technical assistance does not progress, and I have felt this sharply as I have worked on the frontline of technical assistance. There are many constraints which impede the progress of technical cooperation, so it is not enough simply to provide technical cooperation. We must eliminate the constraints.

So it is not so much providing greater and greater amounts of money through ODA, I think that it is more important to eliminate the obstacles to

technical assistance.

I should now like to refer to the diversification of needs within the different stages of development. There are countries which develop and others which do not. The countries which do not develop are not content with their low stage of development, but they would like to take action. So although these countries do not develop, they have their needs for assistance. So there is this imbalance. Recently, the meaning of technical assistance has expanded from the traditional meaning to a wider meaning. Technical cooperation is usually considered as centring on human resource development, but there are also other aspects, for example, research cooperation. The researchers from advanced countries go to developing countries, and they publicize the results of their researches, and the research institutions of the recipient countries can make use of the results of these researches.

I am now working in Papua New Guinea where computers are quite developed. I think that people's usual image of Papua New Guinea is that it is not a developed country, but the computers are highly advanced. Computers are a good way of labour saving. Developing countries tend to skip and do away with some of the intermediate tasks for development. I have also had a similar experience in Tanzania where there was an argument on whether they need a digital machine to analyze the soil to make ceramics. Since it is a very advanced piece of machinery it would require a lot of time to teach the Tanzanians how to use it. These busy people do not have the time to devote to learning, so I think there is scope in technical assistance to reduce the time required for learning. Sometimes equipment may be there, but there is not the operational money, and there can be an argument as to whether we should provide such equipment as technical assistance or not. If we disregard this type of technical assistance, I do not think that the developing countries would be able to advance. I think that there is a relationship with NGO as well. From the latter part of the 1970s, NGOs have been increasing their developmental activities, because of the widening awareness that ODA is not effective in reaching the grass-roots level.

On the plane back from Papua New Guinea, I read a Filipino newspaper, and there was an article about government providing financing to NGOs and that the NGO is repaying interest on that loan, and trying to help fisherman to survive the red tide. Basically, the government's activities and the NGOs' activities should be complementary. NGOs cannot build infrastructure: they do not have the financial means, for example, to build bridges or airports. So there is a division of labour between what NGOs and governments should do, but they should play complementary roles. I recently gave advice to an NGO which had started to build

a boat on one of the islands of Papua New Guinea, and which wanted to upgrade the facilities and establish a training centre. But a training centre would fall under the jurisdiction of the state government, the local state government, so there will be an overlap between the NGO's activities and the government's activities. So we cannot simply separate the activities of the NGOs and the government. So this is also an example that shows that technical assistance is not monolithic structure.

In relation to the effectiveness of technical cooperation, I should like to refer to the private sector, and the increasing requirement for private sector participation. I think that this is related to education. Even though economic development may take place, the system of education is not developing in a way to match that of the economy, which, in turn, widens the gap between supply and demand in relation to the needs. For example, a shortage of able people on the labour market. Some people may suggest that we send people to vocational training centres, but if companies send their employees to vocational training centres, rather than returning to those companies, they tend to go to other companies which offer better employment conditions. So developing countries are not moving in the way that we think they are.

There can be no denying that projects are effective for development, however, it has become a trend for governments of developing countries to utilize structural adjustment loans, or programme and sector loans to meet any shortfall. If these types of loans are taken out only on a project by project basis, there may be lines when they do not coincide with the development priorities and direction of the government due to a possible screening of projects by the donors.

I believe that it is natural that governments prefer to meet any shortfall by themselves through sector loans and adjustment loans, however, when these loans become policy-level assistance, they relate very closely to the institutional capabilities of the recipient government. So we have to be very careful about that point. Efficiency is greatly related to the implementation level, and I am most interested in this issue, because if we implement technical assistance, there are daily problems involved in technical assistance such as that we do not have enough money for travel expenses or that there are no local counterparts. For example, on Fridays, which is their payday, the counterparts go to the bank to cash their paycheck. People might think that they can go on Monday or Tuesday instead, but the counterparts say that their relatives and friends come to the office to get some money. So they do not want to stay in their offices on payday, which is one of the very minute, detailed daily problems. So experts may set up schedules and plans, but in fact, projects do not proceed as planned. But experts have a limited time schedule so they are in a great hurry to set up a tight plan and

time schedule. As a result, most of these experts fail in that the recipient countries are not able to meet all the objectives and time schedules that experts have formulated. I think that this is also related to the efficiency of technical cooperation. On the frontline of the technical assistance, there is a great gap between what is being said and what is actually being done. So it may be presumptuous of me to say this, but it is not enough just to send money to these recipient countries or to send experts. There are numerous problems such as these that are related to the operational aspects. What is appropriate technology is another issue. I do not think that there is appropriate technology per se. We can, for example, set up certain time-frames and say that this particular technology would be appropriate for that particular time-frame. But the validity of that technology would be limited to that time-frame, and not be universal, so I think adaptation of technology is more important than transfer of technology. Transfer of technology is only the first step.

Next, somebody mentioned sustainability, which I think is very important. If we extend technical assistance, the progress stops once the experts return home. Therefore we need to encourage the recipient counterparts to learn by doing. And I think that it is important for the donors to provide continuous support to these local peoples.

I think my time is rather limited, so I would like to conclude my comments here.

HIRONO: Thank you very much, Mr. Suzuki. I am sure that as we listen to the different panellists, we have sensed that basically three points have emerged in the discussion. First I think that all of the panellists agreed that the main essence or the purpose and focus of technical cooperation lay in the capacity-building of developing countries – people and government, and including NGOs and private sector. That is one. Number two is that unlike financial cooperation, technical cooperation is a two-way communication and a two-way traffic. A two-way learning process. Donors cannot impose any conditionality on recipients. This is quite clear from the discussion we have had. And the third point is that, after all, technical cooperation is given and will continue to be given for sustainability, or sustained and sustainable development. And, certainly technical cooperation will have to be far more effective. We also know that the “nitty-gritty” aspects of technical cooperation are abounding. All panellists agreed that it was very much the responsibility of the people who were right on the spot to make a project a success. Resident representatives, recipient governments and experts in the developing country all have to cooperate to improve the quality of project execution. It is very different from financial cooperation, where one can sit in a headquarters in New York, Washington, Tokyo, Paris or London and figure out

what your obligations are. Now that a very interesting light has been shed by the panellists, I should like to encourage full participation, in the form of either questions or remarks, from the floor, right after the fifteen minute coffee break. Once again the coffee break is only fifteen minutes.

HIRONO: While we should like to go straight into the discussion, I have one person whom I should like to introduce, as he has been kind enough to come all the way from the Philippines to join us in this meeting. He is Mr. Edgardo T. Valenzuela, who is Executive Secretary of the Asian Non-Governmental Organizations Coalition for Agrarian Reform and Rural Development in Metro Manila. I should like to give him an opportunity to say a few words reflecting some of the views of the NGO organizations. Please go ahead, Mr. Valenzuela.

VALENZUELA: Thank you, Mr. Chairman. Since I have a prepared statement, I should like just to read it.

Ever since the Economic and Social Council of the United Nations passed its resolution on non-governmental organizations in February of 1953, a lot of significant changes have happened. In terms of NGO activities, the decade of the 1950s was largely characterized by work related to relief and rehabilitation efforts, as this was the felt need during the period of post-war reconstruction. From the late 1960s through the decade of the 1970s, NGO work gradually shifted to distinct community-based activities through community development programmes, and more emphasis was given to formation of self-help, credit unions, and cooperatives. By the early 1970s, community organizing and awareness-building, or "conscientization," was introduced and built upon the community project approach to attain better target group focus in the attainment of development benefits. The 1980s was marked by improved NGO delivery of services at the grass-roots level, and the emergence of third-generation development capitalist NGOs, which began to see the need for systematic change. In this context, there was increased networking among NGOs.

Before I proceed any further, allow me to introduce the organization I represent. The Asian Non-Governmental Organizations Coalition for Agrarian Reform and Rural Development, or ANGOC for short, is an apex body of autonomous, indigenous networks of NGOs operating at the regional, national, and local levels in the following seven Asian countries: Bangladesh, India, Indonesia, Pakistan, the Philippines, Sri Lanka, and Thailand. Its members include the Association of Development Agencies in Bangladesh, the Philippine Partnership for the Development of Human Resources in Rural Areas (Phil-DHARRA) and the Secretariat Bina Desa of Indonesia to name but a few. These national NGO

networks operate similarly to the Japanese NGO Centre for International Cooperation, or JANIC, with whom we are cooperating together with the Philippine Business for Social Progress, to expose Japanese NGO leaders to the work of NGOs in the Philippines, starting later this month. ANGOC serves as a forum for the leaders of these significant NGO networks to exchange experiences and information, to build up confidence and trust at the interpersonal level, to search for common values and ideas, as well as to articulate common visions and strategies for like-minded NGOs in Asia.

ANGOC has played a pioneering role in promoting government NGO dialogue and cooperation, as well as people's participation in development through its various programmes and activities. In the Philippines, we are currently cooperating with the UNDP Partners in Development Programme to provide a strategic mapping of the major NGO actors in six sectors where NGO work has been most concentrated. This study will be discussed at the major national workshop to be funded by UNDP and FAO in March of 1989, which will bring together high-level policy-makers from the Philippine government, the major NGO actors, and officials of multilateral and bilateral donor agencies based in the Philippines. ANGOC also serves as the focal point in Southeast Asia for the NGO management network based in Geneva, which is a collaborative effort among ICVA, the International Council of Voluntary Agencies, IRED (Innovation et Réseaux pour le Développement), and the International Council of Social Welfare at the Global Level.

In terms of problems and needs of NGOs related to human resource development, NGOs need help in developing their capacities, in terms of strategic management and assessment, to have a better grasp of the socio-political milieu, and to maximize the opportunities available in the environment, based on the distinctive focus of the concerned NGO. Questions of effectiveness and efficiency for organizational development, as well as developing data base information systems, will require continual upgrading of NGO capabilities. In the more technical fields, NGOs need more skills for dealing with environmental and ecology issues, and skills which improve financial intermediation at the grass-roots level, such as the growth of the Grameen Bank from its humble NGO beginnings in 1976. This was in Bangladesh. Programme and project development and management using participatory processes will also be important.

At this point, allow me to bring to your attention two important watershed meetings of NGOs. The first event was the London Symposium held last March 1987, on the theme "Development Alternatives: the Challenge for NGOs." Since some of you have the issue of world development at this meeting, I shall just highlight the two most important conclusions, which are as follows:

One is the acceptance of the need for NGOs, to move from a peripheral to a

central role in providing leadership for national and international development. And secondly, the acceptance of the need for a fundamental reorientation in the relationship between Southern NGOs and their Northern NGO and donor partners. This London meeting is very important because it brought together around 120 professionals from 42 countries last year. So these were the two main conclusions of that particular meeting.

The second important meeting was the meeting which we organized in Bangkok in March of this year, which brought together 30 of the leading NGO leaders in South and Southeast Asia for the Regional Seminar on NGO Strategic Management in Asia. Although the focus was on case presentations from Bangladesh, Indonesia, and the Philippines, the seminar conclusions validated and built upon the conclusions of the earlier London symposium. In fact, I have limited copies of the conclusions available. I will just leave them here for those who are interested.

To summarize, some of the issues which are foreseen to dominate the NGO scene include the following, which I think are the main issues:

One: Participatory Development. This implies a need for increased democratic and social space for NGOs to operate at country level. It also requires a policy of transparency and free access to information of official bodies to allow full NGO and people's participation in the public debates on the needs and directions for development.

Two: Accountability. The building of accountable institutions in society is important to counteract the emergence of dominant, monolithic structures in society. At the grass-roots level, this is expressed through democratically constituted people's organizations. Intermediate NGOs will also have to examine the accountability question, in terms of their relationships with the beneficiaries, with the government, with the donor, and other peer NGOs. The building up of people-accountable institutions will help to institutionalize pluralism and democracy in society, and is a continuing task for all of us concerned with authentic development.

Number three: Increasingly, networking will remain as the most cost-effective form of relating. Horizontal and vertical linkages must be built from the bottom up to increase the poor's collective wisdom and bargaining power. At the higher networking levels, increased use of electronic information systems, for one, will see the NGOs as quickly informed of developments as they happen.

Number four: Government-NGO Cooperation. The history of development consistently shows that government mechanisms have not been able to ensure effective and optimal people's development at the grass-roots level, due to its centralized bureaucratic structure. In most Third World countries, we see the

continued rise in the absolute numbers of people living in absolute poverty. Hence, in this context, NGOs have a significant role to play at the grass-roots and community level as catalysts of effective development.

Number five: North-South NGO Partnerships. Southern NGOs in the Third World will understandably have a better feel for field operations, while their Northern NGO counterparts should play a bigger role in advocacy, particularly in policies that affect Third World societies. For example, the debt issue and the environmental impact of new technologies. And foreign assistance between Northern and Southern NGOs are being developed on the basis of mutual trust and confidence, as well as a renewed appreciation of their complementary roles in development work. Provision of timely information from the North could play a key role in improving the policy environment in the South which conditions NGO functioning and effectiveness.

And my last point, number six: Sustainability of Development. The issue of sustainability will be looked on not only from an ecological perspective, but more holistically from a total institutional systems framework. NGO policy advocacy and information data banks on sustainable development will be able to provide critical information on the direction of development.

These six issues, I believe, will be part of the NGO agenda for the 1990s, and will characterize NGO involvement in development toward the 21st century. Thank you very much.

HIRONO: Thank you very much, Mr. Valenzuela, from the Philippines. Now the floor is open for questions and comments for the panellists. And I recognize Mr. Zacharia from UNDP Headquarters, Asia Bureau. Please make your intervention in three minutes or at most five.

ZACHARIA: Thank you very much. I have listened very carefully to the presentations made by the panellists, and also have had the opportunity of glancing through the papers distributed today. First of all, I should like to congratulate the panellists for the excellent presentations made. These dealt with a number of issues, if I may very briefly say it, talks about human resources development; Mr. Suzuki talked about the various stages of technical assistance development – interdependence of the countries of the world, and concentration for donors and the recipients; the need to have a common platform for both recipients and the donors if the development aid has to be sustained, and the interest has to be maintained on a continuing and growing basis; Ms. Timpson also talked about the Gross National Happiness; all of which are most relevant. I have made a few notes, Mr. Chairman, with your permission, I should like to outline them very briefly to this audience.

First of all, at the present time, there are in my opinion three factors which

are very conducive to the development of international cooperation and aid.

The first one, I should say, is based on the awareness. As students of economics, we are taught that the starting point of an economic activity is the realization of a want. I say this because in the early 1950s, the first five-year plan of India concentrated mainly on creating that awareness, and that is the starting point of all economic activity. And I must say today more than ever before, there is an awareness, there is a groundswell in most of the developing countries that in the competitive world of today one has to increase economic efficiency and economic performance if one is to survive. So that is the number of one factor.

And the second factor, I agree with Mr. Suzuki, we do not have to reinvent the wheel. What we need is adaptation of technology. We have an array of technology in the present day world, all that we need is to adapt them. So we have the techniques, we have the technologies.

And the third point I should like to say is that there is today more than ever before an increasing awareness, an increasing commitment, an increasing willingness on the part of the international community to raise the level of international cooperation. The latest evidence of it was, as we heard yesterday, the Japanese authorities in stating that they have decided to increase their ODA level to \$50 billion, and I should like to take this opportunity, Mr. Chairman, to congratulate the Japanese authorities for this decision.

Now the question is, how best UNDP, the bilateral donors, the multilateral agencies, and the recipient governments can maximize these factors, and take the maximum mileage out of the conducive environment. With a coordinated approach, I should add. Now given the interdependence of the countries of the world, which was detailed in one of the papers, in approaching the development problems, the quality of international aid, as Shakespeare said about the quality of mercy, must be twice blessed: it must be beneficial to the recipient, it must be beneficial to the donor. In other words, development should take place on a supplementary and complementary basis, both for donors and recipients, developing areas in which they have a comparative advantage. Now having said this, there are no ready-made solutions; there are no ready-made answers; there are differences between regions; there are differences between countries of a region. And therefore each country must be dealt with on an individual basis. Here I should like to refer to the distinction made by Mr. Suzuki. He classified the stages of development, technical assistance development. I should like to put it in a slightly differently way. I should like to classify the countries, as we did yesterday, into three groups: one, the low-income countries; number two, the countries which are at a take-off stage; and number three, the least developing countries. However, there are two common approaches

to international development aid. The first one, I should say, should deal with how best aid can facilitate the best use of existing resources in each of the countries. And the second approach, I should submit, is to explore the best way to broaden the resource base.

With regard to the first way, the plan for making the best use of resources is based on the maximum utilization of the human resources available. Here, the administrator of UNDP yesterday mentioned about five energizers. But the most important of them is to direct the human resources toward helping the governments to manage their development programmes in the best possible way. And if we are to take this into account, the human resources must be defined in a broader sense, and all the efforts must be directed toward this purpose, and this is one of the areas in which the 1990s should focus.

The second point is that there has to be an increased level of coordination between all different donors of the aid, both technical and financial. It is very difficult to make a distinction between the technical aid and the financial aid, and there has to be better coordination between the two.

Now the other point which I should like to say is that with regard to countries which are at the take-off stage, concentration must be not only for their own further development, but also to make sure how best, based on TCDC (Technical Cooperation among Developing Countries), the maximum benefit could be taken on in the development of other countries in the region.

And another point, since I do not have time, I should like to mention a final point which is the topic dealt with by Ms. Timpson, and which was also emphasized yesterday, that the most important objective of all development is the welfare of the people for whom it is intended. And as has been pointed out so many times, that development plan must have the full, active participation of the people. And that involves not only NGOs but women and grass-roots participation. I should like to agree with Mr. Suzuki again here, who said that there is need to improve the capacity of the NGOs in the various countries, in order to undertake this. And I should suggest that all groups, the recipients, the donors, and the multilateral agencies, must make a concerted effort to improve the financial, technical, and managerial capacities of NGOs in all the countries. That is one certain way of doing it. Finally, Mr. Chairman, I should like to point out in this connection that the decision taken by the Japanese authorities in expanding their allocation to the promotion of the NGOs is a most welcome development, and here again I should like to congratulate them on that.

Thank you very much.

HIRONO: Thank you very much indeed. I was afraid that you might have another "finally." Mr. Suzuki, would you like to respond, because your name has been

often quoted. Just one minute or so.

SUZUKI: Okay. I shall just pick one point: coordination between bilateral, multilateral, and recipient government. Based on my experience an annual discussion or a policy dialogue is the most meaningful method to achieve this coordination. However, in case of Papua New Guinea, there are no such annual discussions. Instead we are coming up repeatedly to the donors to persuade and articulate our needs with concrete project documents. This is what we are doing in place of an overall framework.

HIRONO: Thank you. That is all? One more?

SUZUKI: If other people want to . . .

HIRONO: Ms. Timpson, would you like to say anything on this? No, not at this point, good. Gentleman from Kenya.

MAK'OSEWE: Thank you very much, Mr. Chairman. My name is Mak'osewe from Kenya, attending ODA seminar on loan procedures. Mr. Chairman, first of all, I would like to take this opportunity to thank the Japanese government for having offered me this chance to come and attend a seminar with the aim of enhancing the cooperation between Kenya and Japan, and improving on the loan utilization in my country.

Mr. Chairman, I have a few comments to make. First of all, I should like to comment on the role of NGOs, non-governmental organizations. In my country, Kenya, we do recognize the role of NGOs as far as development is concerned, and recently our President announced the formation of the secretariat or board which will be dealing with NGOs, because we have found the role of NGOs to be so voluminous that we have to form a board to deal with it.

Now, I should like to comment on the question of national languages and foreign languages, which was raised by one of the panellists. It is not true, as was the impression given, that in Africa some of us go to universities, come back, sit, read newspapers, and probably forget about the rural areas. In my country, those are the days which are gone, because in Kenya for example, after university education, it is our policy that the graduates must go back to the rural areas. We have what is called the District Focus for Rural Development. A graduate, whether you are from Oxford University, Washington University, Tokyo University or whatever university, after graduation, on employment, you have to go back to the people, to the rural areas and talk to the people in the local language. In fact, we have to create awareness on the part of our local residents in the rural areas. So this question of reading the newspapers in the district, in Nairobi or in the provincial headquarters and forgetting the rural areas is not there.

Now, Mr. Chairman, I do not know whether in some countries there are

problems of bogus NGOs coming up. We have so many non-governmental organizations. Most of them are doing a useful job. Now, we find some funny NGOs also coming out, with probably the red devil for the future, and they would like to begin preaching things in the country side which are contrary to the national goal of development. So I should like to ask the representatives of NGOs also to help us campaign against the upcoming bogus non-governmental organizations.

Now, in my country, the role of NGOs and that of the government is complementary, as was suggested by one of the panellists, in that no NGO may come up with a project which is not within the development plan. In my country, we have a national development plan, and no project can be initiated which is not included in it. Now the NGOs' operations must be complementary to the government activities. For example, if an NGO has to start a project in the district, first of all, the local people must know about that project. The project must come from them, the local people, so that they fully participate in that project. So the NGOs must in actual fact cooperate with the government officers. We have specific cases in my country where NGOs feel that the government is trying to interfere, but no country would allow any organization to carry out activities without the government in power knowing exactly what is going on. So I think that one should be taken account of, in that let the projects be initiated by the people, and then the NGOs should come in to ensure that the people are actually benefiting from the project. And for example, if the project is started, and after completion, if it is left the people will say, "All right, they started that project, if they cannot maintain it, that is upon them."

Right, another point I would like to make, Mr. Chairman, is that, as was rightly mentioned here, some countries would now prefer channelling some of their assistance through the NGOs so as to avoid the usual government red tape. But that should be on a small scale because some projects are so voluminous that they have to be on a government to government basis. But in my country we appreciate such assistance through the NGOs, as long as they are channelled through the right channel, and as long as there are no sinister motives.

Without taking much time, Mr. Chairman, I should like to comment on the question of technical assistance. We very much appreciate the technical assistance we get from our friendly countries, including Japan. And as was rightly mentioned by one of the panellists, the technical assistance should be as relevant as possible in as far as the development of a given country is concerned, because we are at various stages of development. So for example, I have now been invited to attend a seminar which I think is very relevant as far as my country is concerned, because we have various problems in implementation of projects such as project identification, monitoring of the projects, loan negotiations, the legal

implications, and so on and so forth.

Mr. Chairman, I wanted to make one comment. I wish we had this opportunity yesterday, because I wanted to make some comments yesterday, but we were not given the opportunity. With those few remarks, thank you very much.

HIRONO: Thank you very much indeed. Very good points. Any Japanese participant please? Ah, yes, Dr. Takase, please.

TAKASE: Thank you, Mr. Chairman. I am Mr. Takase from the International Development Centre of Japan. Mr. Chairman, I fully support your summary of the last session. You said that technical cooperation should cover three items, which are very important. The major problem is capacity building. Second: technical assistance should be carried out as a two-way dialogue. And the third: the target is sustainability of the assistance. I fully support this one, but I seem to have heard the same thing somewhere else. Then I realized that it is also applicable to financial assistance. The first one, which is the major problem of capacity-building. There are many financial problems, and financial assistance is bogged down because of a lack of institutional capacity. So this is also very relevant to financial assistance. Secondly: two-way traffic is also very, very important, particularly concerning structural adjustment loans. Dialogue, policy dialogue is a must. Thirdly: the sustainability. For example, in the past there were many irrigation projects built, but now the maintenance, operation, and sustainability of the irrigation facility is more important. So all of those three points are really relevant to the financial aspect. Now I come to my experience. I am now a leader of the JICA project which is engaged in a regional development planning study in the northern part of Sumatra. I am fortunate that I was able to return yesterday to attend this symposium. I have two experiences which I should like to relate regarding the financial aspect.

Firstly BAPPENAS, the Indonesian Development Planning Agency, stated that the study in Sumatra was very important, but that the results of the study should be implemented in financial terms as soon as possible in order to meet the aims of the Fifth Five-Year Plan.

Another example. I visited UNDP office in Jakarta, and the UNDP office has compiled a book which lists the summary of the total donors' activities in 1987, which is very helpful. However, I noticed one very interesting point: USAID, it said loan, sometime loan, sometime grant. But there is no distinction between technical assistance and financial assistance. It is very funny for us; we Japanese consider that technical assistance — JICA; financial assistance — OECF. But according to their definition, they say that all the USAID's assistance is technical assistance. The only division is a loan or a grant. There is only that

distinction.

So these two aspects give me the impression that there is not a very clear distinction between technical assistance and financial assistance. And it becomes more and more so, particularly if the title of this seminar is "Technical Cooperation for the 1990s." I think that this trend will be accelerated. So in my view, really, in addition to the Chairman's summary, I will say that the most important point would be that technical cooperation will really contribute to the integration of the various types of international cooperation, including financing assistance, technical assistance, NGO assistance, and private investment. It should be all together. Put the one purpose, and this would be the real, ideal technical cooperation in 1990s. Thank you very much.

HIRONO: I really thank you very much because you have pinned down exactly the point which I wanted to draw out from the symposium. All three points which I mentioned in summing up the panellists' talks, are very much related to the relevance of financial assistance. Unless one has technical cooperation and financial assistance integrated, in some cases one may be doing some damage to the country concerned. I therefore do agree wholeheartedly with what you said, Dr. Takase. Now I shall come to my colleague in the UNDP. Please, go ahead with your intervention, Mr. Doss.

DOSS: Thank you, Mr. Chairman. The theme of today's debate has been technical cooperation toward the 1990s. The underlying premise of this theme, which has been supported by comments both in the oral and in the written presentations, is that technical cooperation is changing, and must change to meet new needs and new objectives in the 1990s. In the case of the NIEs and the higher income countries, this technical cooperation will take a higher level, higher form, and perhaps will not be needed in such a large volume. By contrast, in the LDCs, assistance will perhaps follow a more classical form, and will indeed be reinforced with a larger volume of technical cooperation, which is what most of the donors are planning. Recent experience, working experience both in East Asia and in Africa gives me the impression that, in fact, quite the opposite may be happening. That in the higher income countries there is both an ability and a willingness to absorb larger volumes of technical cooperation: not just technical cooperation coming through ODA, but also through the private sector. And that, by contrast, in the LDCs, there is growing inability to absorb greater amounts of technical cooperation, and more importantly, a greater reluctance to accept that technical cooperation, particularly in Africa. So I should be very interested to hear if there are any comments on this point from the panel.

Thank you.

HIRONO: Thank you very much. I think that that is a very interesting point,

and one which has not been raised in our own discussion. Would somebody care to respond to that. Would you, Professor Ungka Aziz, please?

AZIZ: Thank you, Mr. Chairman. I think I should clear up the language issue as best I can, so that it does not form a grey cloud somewhere in the seminar and block other ideas. I would remind my friend from Kenya of the Malay proverb that says that the pea forgets the shell or pod. The pea grows inside a pod. In Malay this is "Kacang lupakan kulit." This means that when this graduate, as you described him, goes and gets a Western education, he forgets his origins when he returns home. It is a very good thing to send these people back to work in the rural areas. But what I am getting at is that the language issue, has a horizontal and vertical problem built into it. With the greatest respect, I do not think this audience has quite grasped this yet. If there is no national language, people cannot communicate generally. There can be no national education system. It is very difficult to set up industrialization where there are manuals for people who are going to work in factories and so on. If everybody is taught either English or French. That is fine. This is not likely to happen.

People are also thinking. Language determines how you think and if you have to call an airplane "a topside rickshaw," then you're going to think down at that level. For example, in the case of Papua New Guinea, if you teach people any kind of pidgin English, you are pidginizing their brains. All of you who are not Japanese, who have come here to Japan, can ask JICA or UNDP to show you, if they haven't already shown you, the famous bonsai trees. These are beautiful trees, some of which are hundreds of years old, and they are small. They are perfect. If they are maple, they have everything; the leaves, the flowers, the bark, they are all perfect, except they are dwarfs.

If one has a dwarf language, one can only think within that. That is very important. I think when the Japanese were going to change, at the end of the Edo period, coming into modernization with Meiji, they had a long debate, and they decided ultimately it had to be done in their national language. Everybody who speaks English, who is an expert, says, "Why don't these stupid people all know English? And maybe if I speak loud enough, maybe they will understand me." But this is not so. People must have a language to think for themselves. Apart from the fact you are going to communicate with them.

I think we have to be very clear here and not get involved in terminological differences between the concept of national language, which I have been talking about, and common language. Of course, we should have a common language, at least one other language. If one deals with a lot of people, as in the case of Malaysia, we have a lot of other languages. People are learning Chinese and Tamil, and now in the secondary schools, Japanese and French. We are preparing people

to go abroad to various countries to get the benefit of the transfer of technology, all of which has to be learnt in their language. The first time I went to Brazil, I realized that even if you want to get a bottle of beer, if you say very loudly "Beer," nobody understands what you are talking about. They don't speak English there. But this is a fact, and other people do not recognize it. People who go around Europe, to France especially, will have had the experience of the Frenchman who even if he knows English, will not speak to you in English because he is a proud Frenchman. I do not go along with that kind of language nationalism, but the fact is other languages are important. We should not become mad nationalists and say we want everything done and we want our people educated in only one language. But the people have to think, and if one wants to modernize, all the financial transfers, all the IT information technology transfer, one can wire up all the offices, and one can have robots serving coffee in the coffee shops. But if the people, these NGO people you are talking about, do not have a modern language to think in, then you have very big problems. You can then worry about this.

I have just two points on NGOs. For the benefit of the Kenyan colleague, I suggest that — maybe afterwards he can waylay me — I will tell him how in Malaysia, in our own cooperative organization, which is an NGO, we set up a programme called, "Operation Ghostbusters" because there were bogus cooperatives, and we went through computerized lists and visited people, and eventually cleared this up. It is a very interesting term to call it "Operation Ghostbusters," after the famous Ghostbusters story in TV.

The other thing is NGOs — I should just like to make a provocative point, rather deliberately, (I think in my talk it should have come up) that organizations are either top-down or bottom-up. If the organization is top-down, you can check it quite easily. Who elects the chairman? Is this decided by some political bigwig or the government or an official? He says, "Yes, you will be the chairman, you will be the secretary," or is there a general meeting for the elections? Are the internal auditors elected by the people, or is there some bureaucrat hovering around somewhere saying, "Well, these people are not quite ready for it yet, so we have to do it for them." Then it is not an NGO, it is a "GO" (Government Organization). That is what it is.

So, thank you, Mr. Chairman.

HIRONO: Thank you very much. I think Professor Ungku Aziz still remains as a professor. Yes, please.

TAKAHASHI: My name is Takahashi, a member of JICA. I should like to congratulate the panellists this morning, who have presented interesting views on technical cooperation, which were very informative, educative, as well as pro-

vocative. Perhaps as a person who belongs to one of the organizers of the symposium I should refrain from asking for the floor, but this morning's presentations have been so provocative and challenging that I am compelled to ask for the floor, to ask or to explain or to express my observation in the form of asking questions.

Particularly, my question is directed toward Professor Aziz, whose presentation was very challenging and provocative in an intellectual sense as well. Mr. Chairman, Professor Hirono at the outset invited our attention to four items which have some relevance to the implementation of technical cooperation, in which he mentioned efficiency and effectiveness. These two terms have, it seems, become very fashionable in the world of economic assistance. In carrying out, formulating, or in formulating our programmes of technical or economic cooperation, we always have to bear in mind the element: the factor of efficiency and effectiveness. It seems that we are haunted by this concept. But it seems that Mr. Suzuki has cast some doubt about the effectiveness of this concept, I must say. I have some doubt, or I have a query about how we should measure the degree of effectiveness or degree of efficiency. Should we employ the criteria which we use in our country, in other words, in the developed countries where we offer technical cooperation or economic cooperation? Or should we adopt the criteria which are employed in the recipient country? Or should we discuss, or should we employ, the mutual, common criteria by which we can measure the degree of efficiency or effectiveness? Professor Aziz's presentation this morning has offered me quite interesting and useful ideas in finding this kind of criteria. Professor Aziz pointed out four conditions which would assure the success of a project, which was quite interesting and informative. Perhaps we can develop a theory on the basis of Professor Aziz's presentation. But in this context, Professor Hirono mentioned that the project, or the economic cooperation, technical cooperation must reflect the real needs of the recipient country. The question is how to identify, select, and pick up the project which reflects the real needs of the recipient country. It is easy to say that we should pick up the projects which reflect the real needs of the mass of people, but the staff whose job is to implement the technical cooperation really must always think about which is the best project representing and reflecting the real needs of the recipient country. Professor Aziz said, to my great comfort and encouragement, that if both sides work together sincerely, it will work out. I am very pleased. This is an encouragement to those who are actually involved in the implementation of programmes. But there have been some cases where even if two parties have worked with the utmost, and the highest degree of sincerity, the projects have produced miserable results or have fallen short of expectation. Quite often if we analyze the

reasons why we have failed, we come to the conclusion that the project has been wrong right from the beginning. So the question is how to identify a good project. Professor Aziz illustrated an imaginary example of a country where elite leaders, who speak French or English, have a different perspective from the mass of people. I do not think that this is limited only to the developing countries. In many countries, leaders have different perspectives from the mass of people. We want our projects to be beneficial to the mass of people at the grass-roots level. But sometimes the masses may not know what the country should be in 50 years' time, and as Professor Aziz pointed out, there may be some difficulty to approach and to talk to the people at the grass-roots level. So we are compelled to talk to the government. The question is then how can we identify real, good projects. If Professor Aziz could enlighten me on this aspect, I should be very grateful. Thank you.

HIRONO: Thank you very much indeed, Mr. Takahashi. I think the question is very important, and I should like to give the floor to Professor Aziz on this point: identification of the real needs, and already Ms. Timpson mentioned about the need for grass-roots communication, and Dr. Takase mentioned the constant need for policy dialogue. But, of course, one is with the grass-roots, the other is with governments. And does government speak the minds of the people at the grass-roots? Since Professor Ungku Aziz has been in close touch with both grass-roots and also government, could you speak on this subject, Professor Aziz?

AZIZ: Thank you, Mr. Takahashi and Mr. Chairman. Well. For a start, one can use my four aims and the needs and wants matrix; if one fills in the blanks, it should give a fairly good idea. But what I should like to add to my paper is that one should design into the project a very clear statement of the aims. This should be very clear because later on, when one comes to the point of assessment, and if the aims are clearly defined, I think the project should be monitored regularly by an independent group, either from the donor side or jointly, donor and recipient, every three months or six months, or year. The group should monitor over a fairly long period of four or five years to see how it is going and to learn from it, and in this case, I would add that the crisis can come not only from failure. In projects one can have the crisis of success. One can set up some kind of production unit, and then as it goes along, it becomes very successful, and then it wants to go into export marketing or something, and they get bigger ideas. Or they want to export into wider areas in the national market, and, lo and behold, they are not able to manage transport, they are not able to manage the cash flow problems of that. And therefore, the aid agency, the aid-giving agency, must keep in mind from the start that if this reaches that degree of success, are we going to step back and say, "Well, there are many other projects, and we have to distribute them equally

around the country, or around the NGOs. You have already had one so you must now go on your own." Or you come and help them through their second stage of crisis of success. So this is a big problem that aid agencies must face.

The other point, which is very obvious, but I go back to these folksy proverbs, which are as good in Malay as Lao-tzu or Confucius in Chinese or al-Ghazali or somebody like that, which says that one can afford to buy an elephant, but one cannot spend money on the elephant goad. Now, those of you who have ridden elephants or driven them will know that the elephant goad is very important, and because you cannot communicate, it is a rather nasty looking thing which is poked behind the elephant's neck by the driver. And he knows exactly how to do it in a way the elephant does not mind too much. So it is not as expensive as the elephant, but it is a vital thing, if it is not there. I have seen projects, and let me give one example, very quickly. A cooperative of what we call aborigines, indigenous people who live in the jungle, bring them out, and even teach them how to cooperate. Now these people know how to gather cane, rattan cane, very well. And mostly they sell the cane in bulk to the dealers, who make cane furniture and they sell it to Scandinavia or wherever, and make a lot of money. So we said why don't they have their own cooperative? This is fine. Then in no time, some government expert, I shall not even say foreign, comes along and says, "What they need is a factory. I've seen this kind of equipment in Taiwan or Korea for bending the canes and so on." And it takes nine months to obtain during which there is no production. When it comes, it turns out that this blessed factory has to have a tremendous through-put, and yet they have not developed any marketing in Denmark or Scandinavia or wherever. So although they may have produced a lot of cane chairs, they are not able to sell them. Now somewhere, somebody has not done adequate planning to see the whole thing through, and these poor people who have come out of the jungle, and are still wearing very sensible bikinis, look at you and say, "Well, what kind of people are you? You know, we, if we go hunting, we know exactly what to do, or if we want to do something else, we know what to do. But you don't seem to be very sure of yourselves." So I should say project design is very important, and the coincidence of these aims and a clear analysis of them. Subsequently it is built into the agreement that there shall be monitoring, openly and sincerely, over a long period. The results do not have to be published. Very often governments do not like that, so that is my advice. Thank you.

HIRONO: Thank you very much, Professor Ungku Aziz. In fact, on this point, Mr. Takahashi, UNDP's expert, we have been constantly hammering ourselves by trying new project designs, project formats and so forth. Ms. Timpson has something to say on this. Please.

TIMPSON: Thank you. I should just like to say that I think that project design is extremely important, but I think that we should be fooling ourselves to think that we can always predict exactly what is going to happen. And this is why the monitoring element becomes so important. And it is not just our external monitoring of what is going on. It is the people's monitoring of what is going on for themselves. And this is where I think Professor Aziz's point is very important, between the view of the donor and the view of the people who are actually participating in this project. We send in outside consultants to evaluate a project. They may go and visit the village, the members of which are assembled for the occasion, and one or two people get up and talk about how wonderful this project has been. We really have absolutely no idea of what the people really think about that project. The Panos Institute in London tried a very interesting experiment financed by Nordic donors in which they used journalists from the countries concerned, who went out and spent quite a bit of time in the villages, interviewing people and finding out what they really thought about the projects. And the good thing about this was that then they wrote this up, and it went back to the Nordic donors, who sat around in a conference, and you can well imagine that the results were not very happy for them, but they decided to try to learn from this experience, and are now trying to build in an evaluation with the people at the very beginning and throughout the course of the project. So I just thought it would be interesting to bring this to your attention.

HIRONO: Very good. Thank you very much, Ms. Timpson. Mr. Jaeger.

JAEGER: Thank you very much. I'm Mr. Jaeger, the UNDP resident representative in Morocco. I want to make three brief points. First, I would like to join in the corps of those who utter their appreciation for what the panellists have presented this morning. I think that it was great. I think that we all have benefited a lot. But may I add also a very sincere appreciation to our interpreters, who I think do an absolutely magnificent job, and they are much more hidden than the panellists.

Second point, when we listened to the speakers of yesterday, at least superficially, one could have obtained the idea that if there only would have been a little bit more money, then the problems of the world could be solved in no time. I think that the discussion this morning brought us all back with both feet on the ground. I think that we have all too long and all too often made, or tried to make, development while neglecting two factors: the human factor, and nature and space. And I think this morning particularly the human factor came out loud and clear. And the human factor: maybe this was not pronounced in that way but there is the cultural element which is so critical. And this was clear whether Professor Aziz spoke about the national languages or whether Ms. Timpson

mentioned the Bhutan King's Gross National Happiness or whether Mr. Suzuki mentioned the Friday off to avoid relatives. I think that these are all very important factors, and if we do not take them into consideration, we are losing out. We shall not get anywhere. It is the cultural element. And just a small reminder: we have started this year, the decade of cultural development. I think that this is not just monuments. This is just not digging for old coins, and it is not just museums. I think the cultural element is exactly that. In Morocco we recently had a seminar entitled "Which Development, Which Culture?" which was organized by the Arab-African Forum. And I think we should continue to discuss where are we going, and which are the human elements.

Third point: whether we talk about money or whether we talk about technical assistance, if it is spread too thinly I believe that regardless of what we offer worldwide, it will not be enough to make an impact. And I am afraid that we often sin by spreading projects too thinly by trying to be good to too many people at a time, instead of trying (and I know this is much more difficult) to discuss priorities and then trying to solve one problem after the other. I am just afraid that very often, with all the funds, with all the money, with all the human efforts, we do not get results, and Professor Aziz just mentioned this: when are we graduating organizations and when are we graduating countries? I remember in 1972, just a few months after I joined UNDP, I was invited to my first training seminar in Nicosia, Cyprus. I was at a post in Sinai at the time, and a senior official of Cyprus very bitterly complained that UNDP is about to graduate a country like his: that we drop them just at the moment when assistance and cooperation is needed most urgently. I was infuriated at the time, and I got up and said, "Sir, I have just visited your country, I have just taken two days before the meeting to travel through the country. The shepherds in your country are dressed as properly and as well as the dignitaries in the country in which I am serving, which was Yemen, and you dare to ask for funds. We do not have enough for Yemen." I must say that after 17 years I still think that we should not neglect the Yemens and the poorest of poor, but I think that I see more the point, and I think that we should ask ourselves whether we should not possibly just go along a little longer with those countries who are just about to graduate to make them donors faster, and then turn around, together with them, and help the others. It is that question of prioritization, which I think we should address. Thank you, sir.

HIRONO: Thank you very much, Mr. Jaeger. That is exactly the point which Dr. Okita also mentioned yesterday too in his own speech. Would you have some comment or question please? Identify yourself please.

TOKUNAGA: My name is Tokunaga. I'm working for the Embassy of Malaysia in the information section. In the previous discussion today, I understand that

there is some consensus that the NGOs can play a very important role to achieve the people-oriented development. And that the government organization and the NGO can have the supplementary cooperation. I used to be a member of an NGO study group, and we were doing some research about the NGOs in Japan, and as Foreign Minister Uno mentioned yesterday, the Japanese Ministry of Foreign Affairs is now very positive about channelling ODA through the NGOs in Japan or directly assisting NGOs overseas. But I, through my contact with several NGOs in Japan and also overseas, have feelings that many people in the NGOs have a lack of trust toward the government or the ODA itself. And their recognition is that not only ODA does not reach the grass-roots level, but also sometimes it prevents the grass-roots people from achieving their self-reliant life, or sometimes the gap between the rich and poor expands, due to the ODA. Thus, those NGOs feel that by receiving ODA, their activity may be limited, or their identity may be lost. So the relationship between this GO, or government organization, and the NGOs tends to become one of confrontation, rather than one which is supplementary. So I should like to ask Ms. Timpson, from the viewpoint of the NGOs, of the international organization or United Nations agency, whether she has any good examples to build a relationship of trust between the government or international organization and the NGOs? Thank you.

HIRONO: Thank you very much for your question and comment, Ms. Timpson, the time is coming close to the end now, so would you like to give a very brief remark?

TIMPSON: Okay, I shall try to be very quick. I think that this is an extremely important point. And the situation obviously varies from country to country but one thing that we as UNDP, as we move into trying to reach out to NGOs have got to keep very much in mind, is the view which NGOs have of government, and which they have of us because we have always traditionally worked with government. But I am very encouraged to know that there are a number of NGOs that have felt that we have played and can play an important role in opening up the communication between NGO and government. And it often is a question of simply a lack of dialogue, they have not known one another. I think that I shall be attending a meeting in Tunisia next week, which is a very good example of what we can do, where our office entered into an agreement with the government to hold a round table between NGOs, national NGOs, and the government. And it is not so much the conference itself which is the important element; it is the process leading up to the conference, where they convened in our office representatives from various NGOs and people from government, and they started talking about what the agenda should be. And just over that they began to realize that there were a number of points where there simply was a misunderstanding

and lack of communication. And as a result of this process, which has gone on now for several months – just this planning process – we were told that already there has been a change in some of the legislation of government, which is encouraging the formation of NGOs. So I think this is an example of what can happen, but obviously, the situation is going to differ very much from one country to another. Thank you.

HIRONO: Thank you Ms. Timpson, for your brief comment, and we have one NGO representative here from Japan, Mr. Watanabe, please, of OISCA.

WATANABE: Thank you very much, Mr. Chairman. Since time is limited, I just want to take a few minutes to introduce the reality of Japanese NGOs. My colleague from the Philippines mentioned about the formation of the Japan NGO Centre for International Cooperation, called JANIC for short. I have been involved in the formation of this centre for the last several years, but the reality of most Japanese NGOs is that many of them are very, very suspicious of government assistance programmes. In fact, yesterday while you were sitting over here, an NGO group had organized another seminar on NGO-ODA relations. I had to attend both sessions, so I know the clear difference. Most NGOs are very, very critical of the governments of international organizations. One point is that they believe that ODA and international organization development assistance often cannot reach the people at the grass-roots. But as far as my experience goes, my organization is getting financial support from the government of Japan and from some of the UN agencies. But I know that government and UN agencies give due recognition to the independence and autonomy of non-governmental organizations. But Japanese NGO history is still very short: we have 270 Japanese NGOs listed in the directory recently published by the NGO Centre, but more than 90 per cent of them were founded less than ten years ago. So firstly, they do not have enough experience in working with government and international agencies. So we cannot blame them, but at the same time, there is a growing feeling among NGO communities that time has come for NGOs to establish a certain kind of dialogue with the government. And yesterday, the seminar organized by the NGO group was on that point exactly. But the majority of feelings are still against coming into close contact with government. And perhaps by the end of this year, the NGO Centre is going to publish its proposal from an NGO perspective: what is the best form of NGO-ODA relations. First we shall be publishing in Japanese, and I do not know if we have enough money to translate it into English, but as far as possible, if some good hearted people support us, perhaps we shall be able to publish that publication in English as well. Thank you very much.

HIRONO: Thank you very much, Mr. Watanabe. I should like to say that Dr. Yoshitomi is already here to summarize Session One. I am also supposed to

summarize Session Two in a few minutes, and yet there are a few speakers who would like to make comments. If you could kindly do so very briefly, I should appreciate it very much. First of all, Professor Nishino.

NISHINO: Yes, I really appreciated the comments that human factors or cultural element are very important. I have been associated with the education, higher education, or it could be technology transfer. Most of the Asian students were superb. Well, in my own disciplines, the academic achievements in the world are made by the Asian students, perhaps studying in the United States, or in the United Kingdom, and their performances were really superb. But when they returned to their own countries, their capabilities are not being utilized. I have been thinking in the past that rather than technology transfer or higher education, management education could be more important to utilize these human resources. Now, I am talking on the highest level, but if the qualification for the highest level is so good, naturally I can assume that it must be an easy job to train the middle class or the labourers. It should not be too difficult. If there is any difficulty, it must be caused by management, or something was wrong. But I am sure that now it would be the human factors or the cultural element which is preventing the development, or human resources development. There was mention made that policy dialogue is important. I am not so sure about this: whether the policy of one side or the other is right. In this particular terminology, the viewpoint of the people is more important. The policy may not be in agreement with the view of the people. Then I recently heard, at a UNESCO meeting, that Singapore has made a policy to train 10,000 programmers and system engineers, for the few years, to come, out of the population of 2.6 million. I am sure that they have studied very much, and I am sure that they are able to attain that, even without any help. I am not sure, but I am simply assuming that the policy is right. If that is so, then all of the countries have the potential to formulate the right policies. It is not policy dialogue. Policy has to be right, and they have to think about it more carefully on both sides. Thank you very much.

HIRONO: Thank you very much. That is a very important point. Mr. William Draper, administrator of UNDP, singled out a few names, of course, of UNDP Res-Reps, in his own speech. And perhaps many of you are wondering who they are, and so I should like just to give the floor first of all to our Res-Rep from Nepal, Japanese colleague, Mr. Niwa.

NIWA: Well, thank you very much. It was very interesting to hear what the panellists had to say today, as well as the interventions from the floor. There were two interventions to which I should particularly like to refer. One is Dr. Takase's intervention. As you know, Dr. Takase was with the Asian Development Bank until two years ago, and I had the privilege of working very closely with him. And

also our colleague, Mr. Doss, who refers to aid fatigue element, particularly in LDCs, including Nepal, where I serve. There are certain things I should like to say in this connection. I think that the definition, the demarcation between technical assistance and financial assistance is now very blurred, as is that between bilateral assistance and multilateral assistance. So in this connection, I should like to take the side of the recipients for a moment, because yesterday we talked in terms of structural adjustment, and the need for policy dialogue, policy reforms and so on. But as donors we must be honest and admit that many of the problems in the past have been created as a result of external assistance. We have provided deferring policy menus, and we have a tendency to establish projects without due regard to the question of sustainability, meaning operation and maintenance, in a financial context as well as human resources context. And also in a technical assistance agency, we have a tendency to establish far too many projects, more or less in isolated fashion, so therefore we have done some sort of enclave-building. So therefore I think that this kind of self-reflection is extremely important when we look toward the future. And that is the reason why I should specifically like to refer to Dr. Takase's comment. That is to say, everybody would agree that policy dialogue and structural reform is necessary. But at the same time everybody would also agree that in order to sustain it in the long- to medium-term context, it is necessary to have public administration reform or strengthening, or for the government to be able to have that capacity. The only thing I should like to say in regards to structural adjustment is that it is important to internalize the process. Internalization does not mean a donor-led process of policy dialogue and structural adjustment, but rather it should be the product and the policy direction of the recipient.

Now that leads us to the other issue: how to deal with the question of aid fatigue. We have to recognize that because of the diversified needs and because of past performance, the question of a coordinated approach arises. Again, there is a merger between technical and financial assistance. Again here is a question of multilateral and bilateral assistance. Also, we have to think in terms of packaging, because from the point of view of the recipient, we have to think for a moment as to what kind of burden we are providing. There are so many agencies, including the one of which I am a member, which have their own expectations, requirements, and policies. It is an enormous task for the recipient to be able to respond to these, so therefore, I think that there should be some kind of packaging, packaging in a sense of technical assistance versus capital assistance, bilateral assistance versus multilateral assistance, as well as (if I forget to mention the NGOs, Ms. Timpson would not forgive me so I shall mention the NGOs as well) private sector development. That is the kind of thing that we would like to see.

Thank you very much.

HIRONO: Thank you very much indeed, Niwa-san. We have also Erling Dessau from Bangladesh, and would you kindly be very brief, too?

DESSAU: I shall be very brief, sir. Thank you very much. It has been a fascinating morning, and I can only congratulate you. However, I realize now that when I leave this door, I will not receive the prescription or manual of technical assistance in the 1990s, which I had been looking forward to receiving. I think that we realize that we will have to continue in the Darwinistic manner, which is trial and error, and survival of the fittest practically, but we shall learn the lesson. And I think that this is the important message, and as my colleague, the previous speaker said, we should collaborate. And now with Japan coming in such a big manner, instead of reinventing the wheel, I should appeal, of course, not only to Japan, but to all donor agencies, including the multilateral, World Bank, and Asian Development Bank, to collaborate and cooperate to the largest possible extent. There is a lot of knowledge, and there is an extremely large depository of know-how which we do not make use of. It has become lost. We have in my country the same aid fatigue, to some extent. I have the suspicion that aid fatigue is at the political level; to see those strange foreigners going around and telling us something. We have never really asked the ultimate recipient whether there is any aid fatigue there. I am not so sure, of course, but they may not be particularly interested in having foreigners going around, but they would like to receive technical assistance. A point that you mentioned earlier, and one which is very critical is that there is a reluctance to receive technical assistance. I think that this is because it has never really been explained in the policy dialogue with the recipient what that assistance is supposed to be. And finally I should like to stress the need for more, as Ms. Timpson said, open-ended parley. When we deal with human elements, and not with technologies, building bridges or infrastructure, we cannot fit it into a firm project which can be approved with all its aspects clearly identified. We must have an open-ended parley, perhaps not totally open-ended, but at least broad and wide enough so that we can experiment and learn as we go along, modify our approach, and then at the end perhaps have more successful results. Thank you.

HIRONO: Thank you very much indeed. We are extremely fortunate in having the former Foreign Minister, Mr. Kuranari, with us at the moment. Mr. Kuranari, His Excellency, would you be kind enough just to make a very brief comment please?

KURANARI: Thank you, Chairman. My name is Tadashi Kuranari, member of the House of Representatives, and former Foreign Minister. I should like to welcome everybody from so many different countries to Japan and to Tokyo. I

am very pleased to see OECF and JICA working together. As you know, bureaucracy and sectionalism is very hard in Japan as in your countries. But today the two organizations are working together very closely. I am very happy. Do not forget this spirit. We must cooperate for human needs and human happiness. I hope you enjoy your stay, good health and happiness. Thank you very much.

HIRONO: Thank you very much, sir. Mr. Kuranari, His Excellency former Foreign Minister of Japan. I thought at the beginning that we might have a chance to give one minute to each panellist before ending, but it seems that the time is really up, so I shall have to call the session to an end without the additional remarks. And if you could kindly, return to your own seats in the audience. Now I shall invite Dr. Yoshitomi to summarize the first session which was held yesterday afternoon. Thank you very much indeed for your cooperation and active participation during this session.

YOSHITOMI: Thank you, Mr. Chairman. In the first session yesterday, the four panellists gave excellent presentations, and hence we had rather lively debates among the panellists, and between the panellists and the floor. The world economic situation is now booming, and world trade is expanding by 8 or 9 per cent per annum, according to the IMF and recently published OECD economic outlook. And yet interest rates are still too high, due to some policy mix in the key currency country, but the price of oil is now declining rather sharply, which is mitigating the potential inflationary threat which we were concerned about at the time of the Toronto summit. But at the recent annual meeting of the Fund and Bank at Berlin that inflationary concern has been somewhat reduced because of these situations.

On Asia, the East Asian success story has been told by Mr. Yanagihara, and the core of the success lies in the export-oriented strategy of the economies in the region, and because of this, the adjustment period tends to be very short-lived, hence they can get out of the recessionary situation rather quickly. At the same time, Yanagihara mentioned that depending on the stage of economic development in Asia, the important factors for economic success differ, therefore maybe the forms of aid should also differ from country to country in Asia.

On Latin American countries, Mr. Knox, former vice-president of the World Bank, presented an interesting analysis, but one that was basically rather pessimistic. A sort of trade-off between the required stabilization policies and liberalization policies, i.e., liberalization of import-substitution policies at any cost, particularly at the cost of exports was pointed out. Furthermore he stressed the trade-off, between such liberalization and stabilization policies on the one hand and the need to resume growth as soon as possible on the other. Such a

trade-off could be mitigated by the external debt reduction, according to Mr. Knox. Therefore, we debated the relationship between the external debt reduction based on market mechanisms on the one hand and how we could guarantee the implementation of the badly needed structural reforms in such areas on the other. But at the same time, Mr. Knox emphasized the fundamental changes in thought on the import-substitution policies that are now going on in the Economic Commission for Latin America, and hopefully also for private circles and policy authorities in Latin American countries.

For Africa, Mr. Schloss from the World Bank emphasized that the question is rather a matter of survival because the present living standard in Africa in general is only three-quarters of the level of about ten years ago. And yet we have seen in Africa some positive news, good news, that the countries which have implemented structural reform are observing relatively high growth rates, compared with other countries which have not yet implemented that reform.

Lastly, we briefly discussed Japan's role in ODA and the debt problems of the middle-income countries. More finance is certainly requested, but beyond that, the basic work in various areas, which Japan is very good at, or Japanese experts are very good at, should be really employed for developing countries. And lastly, experience of Japanese economic development over the past one hundred years should be learned more systematically so that developing countries are able to duplicate some aspects of the Japanese experience. As chairman, I may say the following on the role of Japan for the world: after World War II, because of its devastating effect, our economy or living standard was very close to that of, say, LLDC. But because of the reasonably well-established infrastructure before World War II, we soon became, of course, an LDC; and in the 1950s we became a middle-income country in modern terms; and also NICs in the 1960s; and we then joined the OECD in 1964. We accepted Article 8 of the International Monetary Fund in 1966. As you know, Olympiad was held in Tokyo in that year. Therefore, we became a member of the advanced economies in the middle of 1960s. Toward the end of 1970s, we realized that Japan had become a capital exporter. While we were debating whether we became a permanent capital exporter or not, we suddenly realized that we have become largest creditor country in the world in recent years. From the stage of LLDC up to the stage of the largest capital exporters in the world, we have gone through seven or eight stages of economic development. It suggests our economic situation has advanced quite quickly, but our institutional settings and administrative machineries for global responsibility to be played by Japan are somewhat lagging behind the economic realities I have just explained. In other words there are somewhat lopsided developments in Japan: on the one hand, the economic

situation has been far better, but as I said, our minds and brains are somewhat lagging behind such a situation on the other. This lopsided aspect is associated with the problems of our ODA and how to relieve the debt problems of the middle-income countries of today. That is one of the biggest challenges to which we in Japan should respond more constructively. Our job is to enhance our global responsibility by liberalizing and deregulating our own institutions in order to achieve our performance in such areas to match the economic reality we are now enjoying. Thank you very much.

HIRONO: Well, as the chairman of the last session, I should like to thank the chairman of the first session very much, for that very good and clear summary. Now, with respect to Session Two, we have just finished the session so everything is very clear in our minds, so I do not think that I need to summarize it, but let me just say a few words. I think in Session One, as Dr. Yoshitomi just mentioned, there was very good discussion on some of the policy prescriptions on problems related to structural adjustment lending in those developing countries which are receiving such lending. However, it was quite clear in the discussion in Session Two that unless and until the developing countries are capable of implementing those policies and, even before implementing those policies, capable of engaging themselves in a constructive policy dialogue with the World Bank, IMF and other external donors, it will be very difficult to realize the reforms that are considered necessary in the policy prescriptions and policy framework laid down by the World Bank and IMF. And therefore it comes to the importance of technical cooperation. As Professor Ungku Aziz said, clarity in purpose is very important. We must have a definite objective of why we are doing this. Second as he also mentioned, sincerity in implementation, which means that we have to be sincere in what we are trying to achieve through these efforts. The definition of aid objectives and maximization of aid relevance or effectiveness, and efficiency all have to be based upon a two-way communication between the government providing aid and the recipient countries themselves. But here comes a profound difficulty, that is to say, we are talking to the governments alone. But when it comes to development, development is not really pursued by the government alone. Development is by the people themselves, by the private sector, by farmers, workers, and so forth. And therefore one really needs a policy dialogue within the developing countries themselves: a good policy dialogue between the government and the people of developing countries themselves, so that whenever the government provides donors or international organization with what they want, this should be the real, felt needs of the people, and they should be sure of what they are saying. I think this is the point which came up very clearly in our discussion.

Secondly, the mobilization of under-utilized resources within developing

countries, such as NGOs, the private sector, and women, is important and critical. And in mobilizing these resources, certainly institutional mechanisms have to be installed, incentive schemes should be brought in, and so the people really are very much dedicated to the development of their own countries. In this respect may I say as a footnote, that while human resource development is very critical, we have learned in our own UNDP experiences that whenever one is providing training, either by sending experts to developing countries, or by receiving them in industrial countries, many of these trainees tend to leave their country to work elsewhere. Therefore it is all the more important that institutional mechanisms and incentive schemes are brought in in those developing countries, so that those people who are trained will be better utilized in those countries themselves.

And finally, I would say that in this discussion on various aspects of the constraints of technical cooperation, in both the donors and recipients, all the panellists agreed that one of the greatest constraints was the human resources themselves. We must train people both in donor countries and in recipient countries, so that effective aid formulation, implementation, monitoring and evaluation can be done on both sides. Again it seems that as we learned from the discussion of the panellists on this issue, we found that there was no panacea, and as Mr. Dessau said, there was no manual for the best technical cooperation. We have to learn by doing. Learning by doing is the best message that we obtained this morning. Thank you so much once again for your active participation in the discussion at this symposium.

