International Symposium on the Role of Japan's ODA in Commemoration of "International Cooperation Day"—1989

Japan International Cooperation Agency

The Overseas Economic Cooperation Fund

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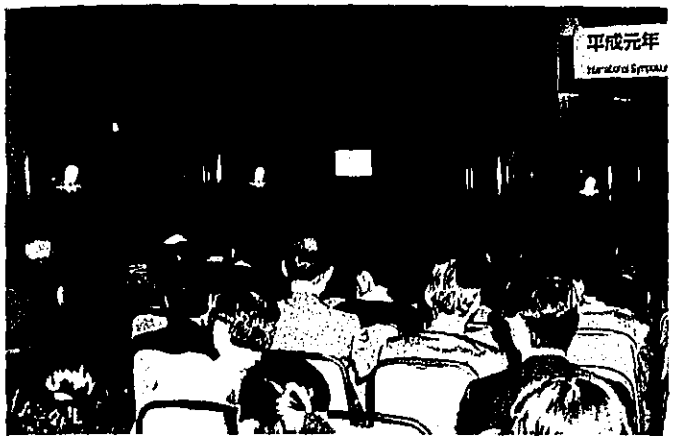

Message from Mr. Javier Perez De Cuellar, Secretary General of UN (video)

Mr. Joseph C. Wheeler (left) and Dr. Tsuneo Iida, answering questions from the audience after their commemorative speeches

Panel Discussion

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OUTLINE OF THE SYMPOSIUM

We, the Japan International Cooperation Agency and the Overseas Economic Cooperation Fund, held a symposium on October 6, 1989, at ANA Hotel Tokyo, which was entitled "International Symposium on the Role of Japan's ODA in Commemoration of 'International Cooperation Day' —1989." "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:

Part I (10:00—12:30) Opening and Commemorative Speeches

Opening Speeches:

Mr. Mitsuhide Yamaguchi, Chairman of OECF

Mr. Kensuke Yanagiya, President of JICA

Greetings:

Mr. Naoki Tanaka, Parliamentary Vice-Minister, Ministry of Foreign Affairs

Messages:

Mr. Toshiki Kaifu, Prime Minister

(Delivered by Mr. Kimio Fujita, Chief Cabinet Counsellor on External Affairs)

Mr. Javier Perez De Cuellar, Secretary General of UN

Commemorative Speeches:

Dr. Tsuneo Iida, Professor, International Research Center of Japanese Studies

Mr. Joseph C. Wheeler, Chairman, Development Assistance Committee, OECD

Questions and Answers

Part II (14:00—17:30) Panel Discussion

Chairman:

Dr. Ryoichi Hirono, Professor, Seikei University

(EX-Assistant Administrator and Director, Bureau for Programme Policy and Evaluation, UNDP)

Panellists:

Dr. Snoh Unakul

Chairman, Thailand Development Research Institute Foundation

Dr. Kwesi Botchway

The Provisional National Defence Council, Secretary for Finance and Economic Planning, Ghana

Mr. Nigel Holloway

Correspondent, Far Eastern Economic Review

Mr. Koichiro Matsuura

Director-General, Economic Cooperation Bureau, Ministry of Foreign Affairs, Japan

Presentation of cooperation activities in Indonesia, North Yemen, etc.

Part III (18:00–20:00) Reception

Commendation ceremony of the International Cooperation Catchphrase Contest

Sponsors:

- Prime Minister's Office
- Economic Planning Agency
- Ministry of Foreign Affairs
- Ministry of Finance
- Ministry of Agriculture, Forestry and Fisheries
- Ministry of International Trade and Industry
- Japan Broadcasting Corporation
- Nihon Keizai Shinbun, Inc

OPENING SPEECH

Mr. Mitsuhide Yamaguchi
Chairman of OECF

I would like to take this opportunity, first of all, to thank you for attending this international symposium despite your busy schedules.

It was thirty-five years ago on October 6, 1954 that Japan joined the Colombo Plan, thereby, participating for the first time in the international community's efforts to assist the development of the world. Since then the world has changed greatly, and the Japanese economy has grown to the point where, last year, the total amount of Japan's ODA was US$9.13 billion, making Japan a donor country comparable to the United States.

Given these developments, we are in a position now where we have to deepen Japanese people's understanding of the need for international cooperation. In 1987, this day was designated International Cooperation Day to help promote people's understanding of the need for international assistance. Like last year, two major Japanese aid organisations for bilateral assistance, the Overseas Economic Cooperation Fund and the Japan International Cooperation Agency, are sponsoring the international symposium again this year.

Today the economic disparity between developing and advanced industrial countries is widening, despite the growing interdependence between the two worlds. To ensure harmonious development of the global economy, the economics of developed countries must be strong, but, social and economic development is a must for developing countries as well. This will require effort on the part of the developing

countries, and must be helped through the assistance of the developed countries so that the economic independence of the developing countries can be ensured. This issue ensures an important role for Japan as a country that now occupies an important place in the world community.

Looking at developments of developing countries in terms of food, population, employment, education, appropriate technology, infrastructure, and the macroeconomic administration for structural adjustments, the needs that relate to the development of the countries concerned are more varied than in the past.

Recently, greater attention has been given to the importance of sustained growth. As you know, environmental problems encompassing the entire globe are becoming a source of major international concern. Positive steps must be taken to resolve these issues.

To do this, Japan has been vigourously promoting many kinds of assistance programmes to make sure that these efforts bear fruit. Our cooperation with developing countries is indispensable, but we must also coordinate our work with international organisations and donor countries so that cooperation and coordination can be ensured in all of our efforts. Inside Japan, this effort should be promoted not only by government agencies, but should also be done in cooperation with the private sector so that comprehensive international cooperation and development can be pursued in the future.

We are holding this international symposium today to examine the role of Japan in terms of future ODA. We have invited distinguished Japanese and foreign guests to engage in an exchange of views to help us identify the appropriate role for Japan's ODA. I am convinced that your contribution today will be of great help in our future work of international cooperation. I will be most grateful if today's symposium serves as an opportunity to reflect upon the importance of international cooperation.

Thank you very much.

OPENING SPEECH

Mr. Kensuke Yanagiya
President of JICA

Good morning, ladies and gentlemen. Today, October 6 is International Cooperation Day. The day was established to promote the understanding and interest of people in all walks of life toward international cooperation. Various events are being held today throughout Japan for this purpose. JICA and OECF are co-hosting this commemorative symposium in Tokyo, just as we did last year. I am delighted to see so many people attending it.

Exactly thirty-five years have passed since Japan began modest technical cooperation with developing nations in 1954. During this short period the amount of official Japanese development assistance has reached the world's top level. When I look back at the domestic situation at the start of the cooperation, it seems like a completely different world. We at JICA has sometimes borne in mind the experiences and lessons of Western donor countries, as we looked through trial and error for effective ways to meet the development needs of developing countries. We have exerted our efforts mainly in the area of technical cooperation to develop human resources, which is the basis of nation building. It brings great joy to see such efforts on the part of Japan bear fruit in many countries.

However, some aspects of Japan's economic and technical cooperation need to be improved, especially regarding adequate systems for implementing our plans. The strengthening of personnel, for instance, is an issue that needs urgently to be tackled if we are to play a key role in international cooperation activities and fulfill our

international responsibilities.

There are also global issues such as huge discrepancies between the North and the South and growing environmental problems. Expectations have been placed upon us domestically and abroad to solve these issues, and we are keenly aware of the importance of responding to such expectations. The purpose of today's symposium is to probe the role of Japan's ODA. We would like you to give us your candid views on how to implement and manage cooperation, for us to use in our future projects.

I hope that today's symposium will produce valuable results, and that the discussions will provide the public with an opportunity to think about international cooperation. I also hope that the discussions enhance national support for improving Japan's assistance. Thank you very much.

GREETINGS

Mr. Naoki Tanaka
Parliamentary Vice-Minister of Foreign Affairs

It gives me great pleasure to see this international symposium on the role of Japan's ODA, being held in commemoration of International Cooperation Day, co-hosted by JICA and OECF.

I would like to welcome the many participants from home and abroad, and express my heartfelt gratitude for your attendance at this international symposium.

In recent years the situation surrounding developing counties has worsened, and the economic situation in many developing countries has deteriorated. The debt accumulation problem has also become notably worse. So, it is imperative for us to try to reetify the disparity between North and South in order to achieve the sound development of the world economy.

If one includes ODA and the private flow of capital, Japan has become the greatest donor country in the world and the second strongest economic power in the free world. So, the role of Japan in the solution of various problems of developing countries is growing. For more than ten years now, the Japanese Government has made an effort to expand and strengthen ODA through carefully worked out plans. At present more than sixty percent of the ODA is centreed on the Asian Region. But now that the scope of ODA is the largest in the world, assistance is spreading to Africa, Central and South America, Middle and Near East and Oceania.

Great expectations are placed on Japan to act as the world's major donor country and I believe that Japan has an important responsibility to satisfy the expectations

of the recipient countries' governments and people.

Although Japan is now one of the advanced industrial countries in the world, only a few decades ago it was considered a developing country. During the desperate period after World War II, Japan staved off starvation with the help of foreign countries and international organisations. Of course Japan has achieved its present position through the efforts made by the Japanese people. However, it is also a fact that we were greatly assisted by other countries and international organisations such as the United States and the World Bank during the post-war rehabilitation period. We should not only enjoy the benefits generated by the international society; now that Japan is well off, it is time to repay the kindness extended to us in the past.

Although Japan is considered wealthy, many Japanese people do not feel well off and wonder why it is necessary to increase international aid. From an international perspective, however, Japan is a great economic power, and is considered one of the wealthiest and most peaceful and stable countries in the world. So it is the responsibility of Japan to help less fortunate countries around world.

Making such contributions I believe is the best approach for Japan to follow as a country that has resolved not to become a military super power. Moreover, the peace and stability that results from these efforts will help maintain Japan's own peace and prosperity as a country that relies very heavily on the world economy.

Recently, criticism has been voiced concerning the approach of Japan's ODA. Some say that it is too commercially oriented and that a firm philosophy is lacking. However, I believe that the valuable experience that Japan has gained in the process of becoming an advanced industrialised nation is affecting the assistance philosophy of Japan's ODA at the present time.

Japan learned that economic development cannot be realised unless a nation relies upon itself. In order for Japan to recover from wartime devastation, various kinds of infrastructure including roads, electricity and ports, indispensible for the development of our economy, had to be established. The country received assistance from the United States as well as from international organisations such as the World Bank. As you all know, Japanese government funds construct and strengthen the infrastructure. The assistance policy of Japan has focused on the development of infrastructure in the recipient countries. It is very fortunate for Japan if this policy has contributed to the marked progress made by the developing regions.

Education and the development of human resources are of course also very important. The importance of such help has been thoroughly discussed, and it will form an important part of Japanese assistance in the future. Through this sort of assistance, backed by the country's experience, Japan has an important mission to help countries overcome various economic difficulties, and to support their efforts to develop.

Today, one of our guest speakers is, Mr. Joseph Wheeler, the Chairman of the OECD Development Assistance Committee. Currently, assistance policy in the last decade before the 21st century, is being discussed from various angles. The DAC timely tries to resolve new or basic matters including the environment and population and poverty issues. It is, I believe, very significant for such a forum to seriously consider these issues and positivlely try to contribute to world prosperity and development.

I am sure that heated discussions will be held today concerning the role of Japan, and I expect criticisms will be aired about the government's approach up to now. The experience of Japan as a donor country does not cover a very long period of time compared to other countries, and it is only in the past couple of decades that Japan developed significantly as a donor country.

On the other hand, in this brief time, considerable experience has been accumulated, and enviable achievements have been made; at the same time, we have much to learn from other advanced donor nations and international institutions, as well as from our partners in the assistance effort, namely, the developing nations. I think it would be very meaningful to obtain the valuable suggestions and advice, of the participants in this symposium.

Thank you very much for your attention.

MESSAGE

Mr. Toshiki Kaifu
Prime Minister
(Message delivered by Mr. Kimio Fujita,
Chief Cabinet Councillor on External Affairs)

I am pleased to say a few words of greeting before the distinguished participants from Japan and abroad at this international symposium, which has been organised in honour of International Cooperation Day, by Japan's major aid organisations, the Japan International Cooperation Agency and the Overseas Economic Cooperation Fund.

International Cooperation Day was created two years ago to commemorate the day that Japan joined the Colombo Plan in October 6, 1954, hoping soon after recovering from the war to return to the international community.

It is truly significant that this memorable day is set aside to contemplate the meaning of, and renew our determination to carry out, international cooperation.

Thirty-five years have passed since Japan joined the Colombo Plan, and Japan's overseas economic assistance, which began with a $50,000 budget for technical assistance, has grown enormously to over $10 billion.

Today, major changes are taking place in the world. Confrontation between East and West, long the prevailing skein in the international community, is changing into a period of East-West dialogue, which seems to be here to stay. Meanwhile problems between North and South still remain unresolved, and the debt of the developing countries, gap in poverty, and other problems, are only worsening. This condition not only threatens the development of the world economy but also raises concern about international peace and stability.

We are entering an age which also requires serious, positive action regarding

global environmental issues, such as protecting tropical rain forests, preventing the destruction of the ozone layer, and other matters which were taken up at the Arch summit.

Clearly, world peace and stability, stable economic development, and solutions to global environmental issues cannot be brought about by a single country alone, but require international cooperation and coordination.

Historically, in different ages, large nations have made a major contribution to the maintenance of stability and development of the international society. In particular, the United States of America in the postwar period has contributed greatly to reconstruction of the world as well as to the advancement of a vigourous free economy and free society.

However, increasing multipolarisation of the world and changes in terms of interdependent relationships have caused enormous expectations to be placed on Japan, as well as a responsibility to meet them, now that Japan is an economic power second only to the United States.

Thanks to the relatively peaceful international environment, Japan has become one of the world's major economic powers through the hard work of its people, who were dedicated to economic development. Japan's "International Cooperation Initiative," which consists of increasing ODA, greater international exchange in culture, and cooperation for peace, reflect the direction that Japan's international contribution should energetically pursue in light of developments in international society. I consider the promotion of this initiative to be the Kaifu Cabinet's mission.

Speaking about my personal involvement in international cooperation, I had a memorable experience over twenty years ago as a member of the Diet, when I went around Africa working on a study for the creation of the Japan Overseas Cooperation Volunteers in 1964. I worked hard to make JOCV a reality, convinced that the memories of the young Japanese seeking a new mission in life would never fade; nor would their efforts be forgotten by the people of the developing nations. I am moved to see that this youth cooperative activity has grown to one thousand young people annually, or some ten thousand altogether. Assistance from my country has contributed to the economic development and improved national welfare of developing nations, beginning with improvements in the economic infrastructure. At the same time, we believe that contributing to the development of human resources and disseminating technology through interpersonal contacts will become ever more important, and I am determined to work on improving this area.

On assuming the post of Prime Minister, I introduced the slogan, "Dialogue and Reform." I would be pleased if today's symposium on the role of Japan's ODA offers hope for Japan's ODA, an important pillar of Japan's contribution to the rest of the world. I also hope that the symposium will provide useful insights into the

direction along which Japan's assistance should be reformed to make it better and enable it to serve the good of the world.

In conclusion, I hope that this symposium is a success.

MESSAGE

Mr. Javier Perez De Cuellar
Secretary General of UN

I am pleased to address this international symposium on the role of Japan's official development assistance.

Japan's ODA, policies, and programmes constitute an essential element of international community efforts to meet the increasing needs of the developing countries. It is therefore fitting that, as the decade of the 1980s draws to a close, special attention should be directed to the objectives, major concerns, and approaches of Japan's ODA, so as to ensure that it responds as fully as possible to expectations both at home and abroad.

The gap between the world's rich and poor is now so large that it threatens the stability and prosperity of the globe as a whole. This is particularly disturbing in light of the significant progress which the international community has achieved recently on the political front.

Progress cannot be sustained unless parallel efforts are made to bridge this gap and breathe new life into the development process. It is therefore encouraging that this symposium has been organised in observance of International Cooperation Day. The importance of international cooperation and the need to expand and strengthen it becomes clearer everyday, especially in view of the growing economic interdependence and technological improvisation among countries which can be employed to transform our daily lives.

Over the years, Japan has steadily raised the level of assistance to developing

countries. The impressive increase of 48 percent in 1986 was followed by another 32 percent increase in 1987, with the result that Japan is now the second largest donor of foreign assistance. We welcome the fact that Japan is also paying growing attention to such issues as coordination with other donors and the recipient countries, and to diversification of aid programmes, including a special focus on the least-developed countries.

Let me stress here, that Japan's greatly increased assistance to developing countries has been widely appreciated. This symposium provides a valuable opportunity to reflect on ways and means of alleviating poverty, promoting stability, and assisting in social and economic development. I am confident that it will contribute substantially to innovative thinking, and the development of a positive framework for Japan's ODA in the coming decade.

I wish this symposium every success.

COMMEMORATIVE SPEECHES

COMMEMORATIVE SPEECHES

DR.TSUNEO IIDA

Born in Osaka in 1932. Dr. Iida is a Professor at the International Research Centre of Japanese Studies. He graduated from Nagoya University Postgraduate School acquiring a Doctor of Economics. In 1972, he cooperated with the National Development Planning Agency of the Indonesian Government as a JICA expert for one year to formulate the second five-year plan for economic development. He won the Tanzan Ishibashi Award for his paper entitled "Japanese Economy with High Adjusting Ability" in 1980. Although specialising in theoretical economics, he plays an active part in discussing economic policies and their effects on civilisation.

MR. JOSEPH C. WHEELER

Born in Massachusetts, U.S.A. in 1926. Mr. Wheeler is Chairman of the Development Assistance Committee, Organization of Economic Cooperation and Development (OECD). He acquired a B.A. at Bowdoin College in 1948 and an M.P.A. at Harvard University in 1951. He joined the U.S. Interior Department as a junior economist in 1950 and worked in the Technical Cooperation Administration from 1951 to 1961. In 1961 he helped start the Peace Corps operation in Near and South Asia. He returned to USAID in 1963 and continued his work on this region. In 1977, he became an Assistant Administrator, Near East and South Asian Bureau and from 1980 to 1982 he was Deputy Administrator. During the years 1983-85, he was Deputy Executive Director, UN Environment Programme. In 1979 he was presented the Distinguished Honor Award by the Secretary of USAID.

COMMEMORATIVE SPEECHE

Dr. Tsuneo Iida
Professor, International Research Center of Japanese Studies

I would like to talk about three points that I constantly bear in mind.

The first concerns the historical background behind Japan's development into the second largest donor country in the world. With the Meiji Restoration over one hundred years ago, Japan began modernising, but at that time Japan was a developing nation, a very small country in the Far East; to use the terminology of today, Japan was then part of the South. In order to develop, Japan invited many experts from the United States and European nations. Thus, Japan learned a great deal from foreign nations, and of course people in Japan worked very hard to develop and create a modern nation by themselves.

However, after Japan lost World War II, once again everything went back to square one. Once more, when the country's efforts were directed toward recovery and reconstruction, Japan turned to overseas countries for their assistance, and, with their help, was able to rebuild.

This morning I came from Nagoya on the Bullet Train. It was twenty-five years ago in 1964 that this new Bullet Train was opened. In building this new railway system, Japan had to borrow money from the World Bank. Although this is not mentioned anywhere, many Japanese riding on the Bullet Train remember, as I did this morning, that indeed the new Bullet Train service was made available through the help of the international community.

As a member of the South, so to speak, and as a non-white country, Japan

nevertheless has been able to develop economically into what it is today. This makes it very hard for the Japanese people not to think about the development needs in countries that belong to the South today. Because of this historical background, even though it is a member of the advanced nations, Japan has a particularly strong commitment vis-a-vis the South. This feeling is reflected in the rapid increase in official development assistance that Japan is providing.

My second point concerns the basic policy that Japan adopts in terms of ODA and the philosophy that Japan maintains in providing official development assistance. Japan's assistance is often criticised as only helping to increase Japanese exports. There are also complaints that Japan's aid programmes are done without any concrete or explicit policy. To some extent I believe that such criticism is valid, although it is not completely accurate. Because when you look at official development assistance in Japan, it is based on Japan's own very clear philosophy.

First of all, let's look at what Japan's ODA differs from. For instance the ODA given by the United States is clearly a means of propagating American democracy around the world. During the period when the Soviet Union was very active in providing assistance to developing nations, most probably this was done with the aim of spreading Marxism-Leninism around the world. In contrast, Japan's assistance efforts may not be, it is true, underpinned by a very rigid philosophy or clear-cut policy.

The United Kingdom and France, which used to have large colonial empires, each have a clear-cut policy of aiding former colonies. If I may be cynical, this could be said to be a clear effort to maintain their influence over former colonies. Again, in comparison with the philosophy of this type of former colonial power, Japan lacks such a policy. Thus, Japan's assistance lacks a clear-cut or dazzling policy, nor is it linked to former colonies.

Even so, there are various problems with Japanese assistance; there have been various failures, and even today Japan is following a process of trial and error. What is most important is to honour the needs and requirements of the recipient countries, and encourage their self-reliance. That, I think, has been a consistent policy on the part of Japan.

The Ministry of Foreign Affairs issues an annual White paper on overseas development assistance. The 1989 White Paper was just released yesterday, and was prominently featured in the newspapers this morning. My knowledge of it is limited to what I read in the papers today. But I read last year's White Paper very carefully, and the Paper last year said exactly what I have been saying so far today: namely, that Japan's assistance is devoid of a policy or philosophy; that is always conducted by looking at the needs of the recipient country, and helping to promote self-reliance. When I read the ODA White Paper last year, I was very encouraged because it agreed exactly with what I had always believed myself. Perhaps one could say that Japanese

assistance contains no hard philosophy, but is backed by a clear-cut "soft" policy.

My third point deals with the very difficult problem of economic assistance and cooperation. When it comes to ODA, there is a tendency to argue "the more, the better." Because developed countries tend not to engage in a large amount of development assistance, they are often criticised for their lack of effort. I think this criticism is valid; this not withstanding, it is not only the amount of money that is important. It is vital to remember that official development assistance does not depend solely on the amount, because a country can only develop through the efforts of the people of that country. On receiving foreign aid, a country may feel that it is no longer necessary to work so hard. There already are plenty of cases of developing countries being spoiled by foreign aid.

To briefly summarise in my own terms the long history of foreign aid after World War II, in the beginning, it was felt that developing countries were unable to prosper because of a lack of money; the idea was that, as long as money was made available, the country would be able to take off economically. In economic terms, this view was based on the theory of a saving-investment gap. Domestic savings could not provide the funds needed for investment, and so the gap had to be filled by assistance from industrialised countries.

But people learned from experience that this approach was inadequate. During the next stage, people began to pay more attention to technology, saying that what developing countries lacked was technology, highlighting the importance of technological assistance. The developed, industrialised nations sent experts to the developing nations to teach technology, and developing nations sent trainees to the industrialised countries for them to acquire technology.

The belief that this was of utmost importance continued be held for some period of time, before it became clear that this was not sufficient either. For instance, when an expert was sent from a developed country to a developing one, as long as the expert stayed things worked beautifully, but immediately upon his return, the project began to falter. There were numerous examples of this.

During the third stage, everyone began to think that things such as software, wisdom, and culture, were most important. An economist friend of mine relates the following episode in a book he wrote. While he was staying in a developing country, a fire broke out nearby. Crowds gather whenever a fire occurs, and he went along too. In Japan if there is a fire a policeman comes to control the bystanders, but there was no such control in that country; as a result, the fire engine that came could not get near the fire. It was only after the arrival of the fire engine that people began to control the mob, so that it took more time before the fire was brought under control. When the fire engine got very close to the site of the fire, the firemen got down and began connecting the fire hoses, but since both ends were connected at the same time,

when a fireman pulled on one end, the hose on the other end came off, and vice versa. The fact that no order had been established for connecting the fire hose, resulted in a further loss of time. The firemen, who wore short-sleeved shirts and had no protective covering, were prevented by the heat from approaching the fire once the hoses worked. Once they got near the fire, it was difficult to control the water pressure, so not enough water came out of the hose.

And, despite a good fire engine and men who had had some training, both turned out to be no use. Although the following may have been fabricated by my friend, he said that the employees of Japanese trading house in a nearby building formed a bucket brigade to help bring the fire under control.

This story is related to the third point I am trying to make here. When there is a fire, there must be control over the mob of bystanders before the fire engines can come, and the hoses must be assembled in an orderly way without people tugging on them from both ends. Since this is taken for granted in advanced countries, it is probably not written in technology manuals. But in developing countries, it may not be taken for granted. Thus, incidents happen from time to time. This is one area which needs to be resolved before developing countries can really take off.

I use this story as an example to make my point easy to understand, although what I said now may seem very impolite to the guests from developing countries. But these incidents, or similar ones, do occur, and they are preventing or hindering the actual take-off of developing countries.

In a word, the crux of the problem may lie in wisdom or software, or culture — I am at a loss for the right expression. There must be change in this respect before the problem can be resolved. The question is whether or not Japan and other advanced nations can help solve the problem. I have long thought that this question is the most important one in terms of ODA.

Developing countries have their own national goals regarding modernisation, industrialisation, and nation building. In a word, they are seeking an industrial revolution. But I am often reminded that only a handful of the nearly two hundred countries on earth have experienced the industrial revolution. The countries which have not yet done so are in the overwhelming majority. Industrial revolution, modernisation, and nation building, therefore seems to be a very difficult task. The big question is, to what extent can Japan help countries go through the process. The Japanese record so far regarding this point has involved a process of trial and error, and there have been numerous failures, but the following point may be said: so far, Japan has given top priority to aiding countries near it in Asia. By for the largest percentage of Japan's ODA has long been given to Asian countries. In recent years, the situation has changed and Japan is providing more assistance to other parts of the world; even so, priority is still being given to Asia.

In the last decade or so, four countries or regions in East Asia and Southeast Asia have successfully gone through the process of industrial revolution, and two or three more which are on the verge. I do not mean to imply that it was due to the effectiveness of Japanese assistance. It would be terribly arrogant for a Japanese person to say, and I think it would be impossible to prove. Since nation building can only be achieved by the people in that country, the fact that several countries of that sort have emerged in Asia attests to the greatness of the people in those counties. But I sometimes think that the Japanese may at least take secret pride, satisfaction, and pleasure in the fact that Japanese assistance did not hinder take-off in those countries.

Japan will continue to devote itself to ODA in the future. There are numerous weak points and areas characterised by a marked lack of effort, such as the number of people involved in ODA activities. Also the percentage of the GNP devoted to ODA is not as high as the average found in other advanced industrialised countries. In addition to these and other often cited criticisms such as the fact that the grant element is low, there are a lot more weak points. But I think that the government and people of Japan should continue effort they have made so far, while little by little correcting the weak points.

Thank you very much for your attention during this rather lengthy talk.

COMMEMORATIVE SPEECH

Mr. Joseph C. Wheeler
Chairman, Development Assistance Committee, OECD

Over the past year the nineteen Members of OECD's Development Assistance Committee (DAC) have been discussing development cooperation in the 1990s. When our aid administrators and aid ministers meet in December at our annual High-Level Meeting in Paris, this will be our subject. The results will be published in December in the 1989 edition of the DAC Chairman's Report. Japan's contribution to this committee consensus will surely be very important.

Though, as I have said, our work on development cooperation in the 1990s will only be completed in December, let me characterise what I think will be some of the main themes of our report: (1) we will emphasise improved economic growth as the indispensable basis for broader achievements, (2) stimulating productive energies through participatory development and creating favourable conditions for the private sector, (3) laying the basis for broad-based growth through adequate infrastructure, (4) a more determined equity and anti-poverty orientation in economic and development policies, (5) a new emphasis on investing in people, including health, education, family planning, nutrition, and enhancing the role of women, (6) a stronger concern with environmentally sustainable development and natural resource use, (7) an increasing responsiveness of the aid system, and (8) effective OECD economic and structural adjustment policies contributing to a favourable world economic environment for developing countries. Those I think will be important themes of our work on developing cooperation in the 1990s.

It is often said that one's perspective is largely determined by where one sits. Today is an excellent opportunity to look at development cooperation from the perspective of Japan. This year we celebrate Japan's 25th year as a Member of the OECD. Japan joined the OECD in 1964. But Japan participated in the DAC even earlier — from 1961, when the DAC was created. In the DAC we consider Japan a charter Member and have appreciated the important role Japan has played and the emphasis that Japan has always given to the works of the DAC.

But, what a different world it was in those days! What a different Japan! For example, in 1962 Japan had less than 10 percent of the DAC Members' GNP. The DAC Members' GNP in those days — at 1987 prices and exchange rates — represented about $5.2 trillion. Thus, all of the DAC countries together had a GNP roughly equivalent to that of the United States today. By 1987 the DAC's GNP had grown to $12 trillion and Japan's share to 20 percent. The DAC Members' economies, taken as a whole, grew very well during this period and Japan's growth was even faster.

Similarly, Japan's official development assistance (ODA) also grew during this period. Indeed, it grew dramatically. Back in 1962 Japan provided less than 3 percent of the DAC's ODA, or only 0.14 percent of Japan's GNP. By 1987 Japan was providing 18 percent of the DAC's ODA, representing 0.31 percent of Japan's GNP. Japan, between 1962 and 1988, increased the amount of aid provided by thirteen times. In 1988 Japan's aid reached 0.32 percent of its GNP, or over $9 billion. While Japan's effort is still below the DAC average, its goal is to reach the DAC average ODA/GNP ratio, which is now 0.36 percent, by 1992.

As you know, the DAC runs a peer review system and I looked back at the files to see what was said in our review of Japan 25 years ago. At that aid review the Japanese Delegation was pressed on aid volume, as it certainly should have been, and the head of the Delegation replied that he did not feel that Japan could greatly expand its aid effort as long as Japan had a substantial trade deficit. How times have changed! Incidentally, in those days, Japan's per capita income was only about a quarter of that of the United States. In per capita income, Japan ranked last or next to last among the Members. In 1963, Japan provided only $6.5 million to the World Bank's International Development Association (IDA) and $196,000 to UNICEF. What a transformation has taken place in this quarter century, with Japan emerging with a per capita income among the highest in the DAC and about to become the DAC's largest donor. In this situation, one asks how Japan's aid programme might be expected to change to reflect its new responsibilities. Following are a few observations on this question:

First, as the world's largest donor, Japan will be concerned with development all over the globe. This does not mean that Japan will diminish its natural geo-political interest in Asia. Rather, it means that Japan will also have a growing involvement

in Africa and in Latin America. Japan is already the largest donor in a number of countries in these two areas, often providing the critical margin needed to support vital structural adjustment programmes.

Within Asia, it seems likely that there will be a new emphasis on low-income countries. The emergence of the newly industrialising economies and others likely to join this group should permit a shift of attention to low-income countries needing concessional assistance. In general, low-income Asian countries have substantial absorptive capacity for larger amounts of aid and represent an excellent opportunity to translate resources into development and into better living conditions. Asia contains most of the world's poor people. Most Asian countries have managed their economies reasonably well, avoiding the debt crises besetting other continents and gradually adjusting their policies to gain the benefits of private participation and market competition. Of course, this is only a generalisation and aid decisions will be informed by the specific political and economic facts of each country.

Second, with Japan's aid more frequently financing a significant portion of a country's development effort, Japan will become more interested in the total policy framework for development and less likely to be concerned only with issues related to specific project interventions. While Japan is especially careful to exercise prudence and sensitivity in the policy dialogue, avoiding the heavy hand, Japan, I would guess, will be increasingly willing to play a leadership role in that dialogue. Even in supporting major infrastructure, such as power, transportation and communications, Japan will be more concerned about broad policy issues.

Third, Japan is already giving special attention to the private sector and to ways of managing public sector entities to maximise efficiency and competitiveness. I would predict that Japan will play a leadership role in support of measures to encourage investment — both foreign and domestic. In this connection, the concept of two-step financing, where decisions on concessionality to governments are separated from decisions on terms for the final borrower, will more often characterise the Japanese approach.

Fourth, much of Japan's assistance has been for major infrastructure. Major infrastructure is needed. But the total development process involves much more. It involves support of structural adjustment efforts and sector strategies. It involves agriculture and rural infrastructure and investments in people, such as health, education, nutrition, and family planning. I believe that Japan's aid effort will become increasingly concerned with these broader issues.

Fifth, as a major contributor to regional development banks and United Nations' organisations, Japan will be increasingly concerned with how its contributions are being spent. Surely we can expect more involvement in these institutions, and a reflection of Japan's broader policy outlook in Japan's voice to these institutions.

Sixth, Japan, in its own development, has managed one of the most outstanding development programmes any of us has seen. One would probably include macroeconomic discipline, management style, a strong role for the private sector, and a heavy emphasis on education among the strong points of the Japanese experience. I think it is inevitable and altogether a good thing that Japan will share this experience with developing countries. This will be reflected in Japan's discussions with developing-country partners and in programme content.

Seventh, Japan's policy already stresses the interrelationships of policy instruments, the need to be concerned not only with resource flows as such, but also with trade policy and with approaches to resolving the debt issue. I would expect that, as a major donor, Japan would seek greater consistency on non-aid policy matters which affect the development process both by other donors and by aid recipients.

Eighth, Japan is likely to become even more interested in the coordination which is needed to make aid more effective. This means strengthening developing-country capacity to manage aid as well as greater transparency and information-sharing among donors. Going beyond this, Japan, which is already entering into co-financing arrangements with multilateral organisations, can be expected to establish more cooperative arrangements also with other bilateral donors, including new donors in Asia, taking advantage of complementarities which may exist. For example, there may be hardware/software complementarities in technology transfer programmes. Similarly, for small island countries with historical relationships with other donors, donor partnerships will be especially important.

Ninth, there are new issues facing the world community as well as new perceptions about old problems. For example, there are the interrelated issues of environment and population. As a very large donor, Japan's interest in such problems is bound to be manifested by Japanese leadership initiatives. Proof of this is Japan's hosting of the Tokyo Conference on the Global Environment and Human Response toward Sustainable Development last month, chaired by the distinguished former Minister of Foreign Affairs, Mr. Saburo Okita. Japan is investing substantial funds in this area. Japan is determined to make its full contribution toward the solution of environmental problems. Similar leadership in other areas is sure to follow.

Tenth, it would be wrong to assume that the world already has the technical answers needed to achieve sustainable development and reasonable living conditions for the 10 billion people expected sometime in the next century. Just as one example, we know we must find more efficient energy systems. With Japan's strengths in science and technology, it seems reasonable to assume that Japan will play a lead role in the search for better technical solutions to development problems. This will mean a combination of research in Japan, heavy involvement in international research and support for the strengthening of research capacity in developing countries.

Eleventh, I would guess that Japan, in its new leadership role, would look increasingly at ways in which the world community might work together for greater efficiency in the aid effort. Thus it is not surprising that Japan, which back in 1962 worried about its trade deficit, would in 1989 be playing a leadership role in looking for greater untying of aid. Japan is taking steps to untie its own aid and to open aid business to world competition. The value of overall world aid will be greater to the extent that the donor community as a whole responds positively to Japanese overtures to improve the rules of the game and as Japan, step by step, adjusts its own systems of doing business to new and higher standards.

Twelfth, in this period of world aid leadership on which Japan is embarking, the Japanese administration will be faced with new problems which will challenge the ingenuity of all concerned. Japan is the first to remind us that in the aid business we are not dealing with a uniform set of countries but, rather, that each country is unique, with its own culture and circumstances. Aid programmes need to reflect this uniqueness. Japanese aid managers must be knowledgeable about individual developing countries to a much greater extent than was necessary when Japan was making only limited contributions to any one country's development effort. For each developing country being assisted, there will be a need for the closest possible working relationships among those staff members who know the most about the developing country involved. Also, those staff members providing technical assistance and those expert at project design and economic analysis will need to work together very closely. In this complicated world, where we must keep in mind so many factors — the technical, engineering, environmental, social and economic aspects of the project — the need for all parties to work together very closely becomes ever more important. Quite aside from how Japan is organised for this task, it will be critically important to have enough of the right kinds of people at the right places. Inevitably, Japan's view, shared by others, that programmes must be tailored for the circumstances of each developing country and must reflect real consensus growing out of appropriate dialogue suggests that, where Japan is heavily involved, more staff, with the right experience and properly coordinated, will be needed overseas. This would seem to be a critical administrative issue for the 1990s.

Thirteenth, another evolution which can be expected in this period is an increasing interest by Japan's public in the expanding aid programme. Japan's non-governmental organisations are becoming stronger and playing a more active role. They, together with the increasingly involved Japanese business community, will keep aid administrators on their toes, answering an ever widening spectrum of questions well beyond those already coming from your legislature. The greater involvement of your NGO and business partners will be an added strength to your programme. But your partners will also be your critics, assuring that issues will be fully debated

and programme weaknesses will be revealed. The best defense for facing this increasing public attention will be implementation of strengthened systems of self-evaluation — a process already underway. Good evaluation, shared with the public, is confidence building.

Fourteenth and finally, let me say a word about the Development Assistance Committee — the DAC. As Japan becomes the largest donor, I have every expectation that Japan will play an ever more important role in the DAC. This expectation is already reflected by the DAC's decision last year to elect a Japanese to be a Vice-Chairman, as well as by the vigourous participation, during my tenure as Chairman, of the Japanese Permanent Representative, reflecting the growing interest here in Tokyo. On matters of substance, we are seeing Japan's role in the DAC deepening in a number of ways. Japan has recently initiated the idea of joint evaluations. It was a suggestion of Japan that the DAC work with greater intensity on how aid might be used more effectively to support the private investment. Japan urged us to consider a more differentiated approach among countries and to avoid over-concentration on any one geographic area. Similarly, with new interest at home, one would expect Japan to play a growing role in the DAC in matters involving the environment, non-governmental organisations, population, women in development and other development issues we periodically take up.

The 1990s will be upon us in only a few months. The world looks back on four decades of encouraging progress in the developing countries. But progress has been uneven. For much of the world, the 1980s have been difficult. New issues, such as the environment, will require new approaches. Population growth is a critical problem. Some 15 percent of the world's population is undernourished. Better conditions for job creation need to be established. It is in this context that Japan has the opportunity and the resources to play a key role in supporting the efforts of developing countries. This will be one of Japan's most exciting challenges in the decades ahead. Thank you.

QUESTIONS AND ANSWERS

QUESTION: I would like to ask Dr. Iida a question. I was intrigued by your presentation especially regarding the transfer of software, as you phrased it. How do you foresee this software being transferred in the future? Are you talking about a transfer of systems or methodology? Please explain in a little more detail exactly what you mean by software.

QUESTION: I am Lewu from the Embassy of Nigeria. My question, too, is addressed to Professor Iida.

In one of the three stages he mentioned, one particular issue was that of wisdom, of culture, in the process of industrialisation. I was surprised to think that the professor perhaps had not done enough research to realize that most developing countries are carrying out structural adjustment programmes in which self-reliance is the basic tenet. In this case what is needed from developed countries in terms of ODA is a type of ODA that complements the efforts of developing countries, not pampering developing countries with too much aid so that they cannot help themselves.

I would rather like him to explain further what he really meant by the words "wisdom" or "culture" because these countries are trying their hardest. What we need is assistance from developed countries that complements our efforts. Thank you, sir.

IIDA: Since it was obvious from both questions addressed to me that my use of the term "software" was not clear, I will respond to the two questions together.

In the past thirty or forty years, it has become clear that money alone is not sufficient. It also became apparent that technology taught only in manuals and textbooks is not enough. Something else must be lacking; otherwise all countries would have undergone industrial revolutions. If we could pinpoint what is lacking, there would be no problem. Because we don't know what is lacking, I used the extremely ambiguous word "software." I apologise for not being able to give a more definite answer.

QUESTION: This question is for Mr. Wheeler. Whenever I visit developing countries, I always feel that when technology transfer takes place, United Nations organisations and other international groups seem to attract too much brain power from the developing nations. In other words, I think that the brain drain from the developing countries is hindering their development. I think that it is very important for the top people to stay in their own country and work there with the international organisations. In that sense, Mr. Wheeler, I do not think that international organisations should drain too much of the top talent from the developing countries.

WHEELER: If I haven't understood it correctly, perhaps the individual who asked it will ask again. But I think that what he was suggesting is that there is enormous confusion in the aid-giving process among the hundreds of institutions involved, and this brings a certain element of inefficiency to the process. I think that there is some truth in this; also I think that a lot of people are giving thought as to what measures might be taken to bring more order to the aid-giving and aid-receiving process.

Two approaches strike me as being important here. First of all, aid-coordination, or the coordination of the developing process, is the responsibility of the recipient country. Institutions in the developing counties are the first place to begin bringing more order in this process. In recent years I, at least, and I think others in the DAC, have been stressing the importance of developing countries strengthening their own aid management capacity.

But I don't think that is enough. I think we need to give very careful consideration to the way that aid is provided. As far as capital assistance in investment programmes is concerned, in the DAC we have developed what we call "principles of project appraisal." I think that these represent a very important consensus among us as to things which should be taken into consideration in providing aid: among other things, they call for improved coordination.

We are now working on a similar exercise in connection with technical assistance. I was interested to learn that the United Nations Development Programme worked with Ministers of Finance and Planning in Africa during a whole series of meetings about technical assistance. All of this was brought together in a meeting in Addis last spring, where the Ministers, in effect, had a charge sheet of inefficieneies in the aid projects. They changed themselves as well as the donors.

I think that was a very constructive exercise. The donors for their part have decided to come up with principles, or improved procedures, for technical assistance. As part of that process, we are meeting with representatives from developing countries in Berlin in October, where we hope to gain more insight into this whole process, from both a donor and a recipient point of view, and see if we can come up with some improved systems.

I think we know that the technical assistance programmes play an absolutely vital role. Training of human resources, institution building, technology transfer, are all done through technical assistance programmes. But together, we donors are spending some $10 billion a year on technical assistance, and I think there is concern that we are not getting full value for money, that we can do it in a more effective way. I think we — both donors and developing countries — need to work together to find a way to make this a more effective effort.

QUESTION: This question is for Dr. Iida. In your speech, you said that money has not worked very well, and technology was not too successful. The reason, you

say, is because of the third set of problems that you discussed. How do you think we can resolve or reduce those problems?

IIDA: If only we knew the answer to your question, there would be no gap between North and South, no North-South problem. The fact that the problem remains a major issue is an indication that nobody knows what is lacking. This is the point that I have been trying to stress here. Consequently, I don't think there is an answer to your question. We are trying through the process of trial and error to find an appropriate answer, to identify what it is that is missing. For instance, regarding the question of debt accumulation and ODA, by the time ODA comes in the debt is so large that the money cannot be repaid. No country is prepared to think about that contingency. ODA may contribute to the expansion of exports, or import replacement, and countries assume that, through greater exports or import replacement, they will be able to repay their borrowed money, but in some cases this does not happen.

It is because something is lacking, as I say, that something fails. That's the thing I am trying to impress upon you, but I can't pinpoint what it is.

QUESTION: I am Gurgulino De Souza from the United Nations University.

This is not so much a question as a comment. The two speakers mentioned various problems pertaining to aid, but never said anything about the debt problem, although the use of ODA to help solve the problem is a vital issue for developing countries.

The second point concerns Professor Iida's use of "software" to refer to "wisdom" and "culture." At the United Nations University we are studying about culture and the relationship between culture and development. We have been discussing the possibility of a graduate centre next to our headquarters in Tokyo, or possibly in Fukuoka, to address these kinds of issues.

I think there is a lot that we must learn from each other, and I advocate comparative studies about the relationship between culture and development.

And finally, to readdress the question raised by the first gentleman, who expressed concern about the brain-drain by international organisations, or something along those lines, I think his reply was very good. I think we have to try to build more upon the capacity already existing in developing countries, to improve the capacity, and to increase the capabilities of developing countries to help other developing countries, what I call TCDC (technical cooperation among developing countries). I think after so many years of receiving assistance, some good institutions now exist in developing countries that can help other developing countries.

How willing are donors to help TCDC more? I just mention one example; you mentioned the important problems of natural resources, population, and environment, regarding sustained development, and special natural resource routes.

We have been trying for the last three years to set up an institute in Africa to protect natural resources there. Unfortunately, one of the host countries of this institute, due to the debt problem, cannot even pay the required $5 million. I'm not speaking of billions, I am speaking of millions. That money is not there; how do we get it? How can other donor countries help that developing country set up something domestically that will be of help to that country and other countries in the region?

The development of human resources, as you said, is vital to long term growth and to self-reliance.

WHEELER: The gentleman from the United Nations University has raised a number of interesting issues, including what donors can do about the debt issue. When I heard him, I thought at first he said "the DAC issue", but it was the debt issue he was asking about.

Well, I have come to realise that the debt issue is a whole series of issues, and the debt problems, and solutions to debt problems, will vary depending upon the individual circumstances of each debtor. Aid, ODA, is not very relevant to the debt problems of, for example, the large debtors in Latin America, and middle-income countries generally are not heavy receivers of aid. Most of that debt is private debt, or debt from export credit institutions, and so ODA would not be a solution there. We, of course, have a process going for African countries, many of which are very heavily in debt. First of all, regarding the debt itself, most of the members of the DAC have already taken steps to alleviate the debt burden as far as aid loans are concerned. Second, the Paris Club, which deals with export credit, has come up with a bundle of approaches in which restructured debt is handled on more concessional terms. Third, of course, the systems for private sector debt to be sold in secondary markets are gradually finding their utility in the African situation.

But the most important thing we are doing in those countries is responding to their structural adjustment programme with increased aid. It is being done in an unusually cooperative way among the donor community, with both the World Bank and the IMF, but particularly the World Bank, bringing the donors together in biannual meetings to review whether we are providing enough, whether we are providing assistance to African countries as fast as we promised, and whether there are ways of providing assistance more efficiently.

None of this, I hasten to add, is a perfect process by any means and we'll be hearing from representatives from developing counties in the panel this afternoon. But I think it has been a constructive effort, and it is at least headed in the right direction.

Regarding the question of technical cooperation among developing countries, first of all I would say that, when it comes to aid management, I have argued that there are countries in Asia who have organised themselves over the years to receive

aid more effectively than many of the countries of Africa. The latter would benefit from an opportunity to tap that experience, both its successes and perhaps its failures as well, in strengthening their own aid management capacity. I know that the United Nations Development Programme has been sponsoring a certain amount of what you call TCDC, in this area, and of course this is something that could be expanded.

Finally, on that point, I think most donors these days are willing to finance experts not only from their own countries but also from developing countries, so that there can be an exchange of experience among developing countries. They may not be doing it enough, and if there are opportunities to do more, I think it is worth discussing them and considering whether our policies and our actions are vigourous enough in this area.

You asked about a very specific idea for an institute on natural resources in Africa, which I know is sponsored through the United Nations University. I think that an institute of that sort has to be a high priority in the host country. I don't think that aid should be thrust on countries for low priorities, or things which are perceived to be low priorities by developing countries. When we do so, it usually doesn't work; the project isn't successful. If I were you, I think I would hold out for the proposed host country to be first in mind in making this institute a high priority. I think if the host country did make it a high priority, that other funds could likely follow. Thank you.

PANEL DISCUSSION

1. Theme

The role of Japan's ODA in the 1990s

2. Background

Japan has expressed a number of times its firm commitment to expanding its ODA and to thereby fulfilling its responsibility in the international community, as clearly evident in its "International Cooperation Plan" announced last year. Under the "Fourth Medium-Term Target" formulated as part of this Plan, Japan has been steadily expanding its development assistance and has recently become the second largest donor country in terms of the total dollar volume of aid.

There clearly remains, however, room for a further strengthening and improvement in Japan's aid policies and implementation machinery as well as in the quality of ODA to bring a greater impact on the economic and social development of recipient countries.

In order to achieve this, it is indispensable that Japanese people have a better understanding of the present status, the major issues and expectations about Japan's ODA, as perceived by recipients and other donors. Only through this would people in Japan be able to better support the Government's efforts to make necessary improvements. With this as a major objective, JICA (Japan International Cooperation Agency) and OECF (The Overseas Economic Cooperation Fund) have jointly organised this symposium on the role of Japan's ODA in the 1990s.

It should also be added that the symposium is being held on "International Cooperation Day," established in 1987 to commemorate the same date in 1954 when Japan joined the Colombo Plan to initiate its overseas development assistance.

3. Topics of Discussion

(1) In view of the growing economic power of Japan, what kind of role is Japan's ODA expected to play in the international community?

(2) A growing differentiation among developing countries has become obvious during the 1970s and 1980s. While some Asian developing countries have sustained high economic growth and become newly industrialising economies, most other developing countries are currently suffering from severe economic setbacks with accompanying problems of food shortage, unemployment and underemployment, mass poverty, balance of payments deficits and large external debt. How can Japan's ODA contribute more effectively to solving the different issues facing developing countries?

(3) All over the world people are increasingly aware of the critical importance of environmental issues in development. How can the international community better assist developing countries to preserve their environment while promoting economic development?

etc.

Chairman

DR. RYOKICHI HIRONO

Born in 1931. Dr. Hirono is a Professor at Seikei University. He graduated in 1959 from the University of Chicago, specialising in Labour and Development Economics. He served as a Research Economist at the Japan Management Association from 1960 to 1961. He became an Assistant Professor of the Faculty of Economics at Seikei University in 1961, an Associate Professor in 1964, and a Professor in 1970. He served as Director of the Development Planning Division of the United Nations Economic and Social Commission for Asia and the Pacific during the years 1974-76, on leave from Seikei University. In 1987, he was appointed as Assistant Administrator and Director of the Bureau for Programme Policy and Evaluation of UNDP. Also, he has been a Visiting Professor at the University of Singapore, the Australian National University, the University of Sussex and other foreign universities. He presided over the panel discussion at the International Symposium commemorating the "International Cooperation Day" held in Tokyo last year.

Panellists

DR. SNOH UNAKUL

Born in 1931. Dr. Unakul is Chairman of the Council of Trustees and the Board of Directors, Thailand Development Research Institute Foundation (TDRI). After graduating from Thammasat University he acquired a B. Com. at the University of Melbourne (Australia), and a Ph.D. at Columbia University (U.S.A.). He was granted honorary degrees of Doctor of Economics from Chulalongkorn University, Doctors of Commerce and Economics from Thammasat University, and Doctor of Social Science from Srinakharinwirot University. Since 1955, he filled various posts as economist at the Ministry of Finance, Deputy Undersecretary of Commerce, Secretary-General of NESDB, and Governor of the Bank of Thailand. He holds many other important posts including Senator, member of Court of Directors, Bank of Thailand, Board of Trustees, Asian Institute of Technology, and Policy Advisory Council, Australian Center for International Agricultural Research. He was awarded with the Knight Grand Cordon Special Class of the Most Exalted Order of the White Elephant and three other awards by the Royal Family of Thailand.

DR. KWESI BOTCHWEY

Born in 1942. Dr. Botchwey is the Provisional National Defense Council Secretary for Finance and Economic Planning. He acquired a LL.B. at University of Ghana, and a LL.D. at University of Michigan. He successively held lectureship posts at University of Zambia, University of Dar-es-Salaam, and University of Ghana. He acts as consultant for UN projects to research social and cultural methods for reforming the world. He is a member of the Association of Third World Economists.

MR. NIGEL HOLLOWAY

Born in 1953. British. Mr. Holloway is a correspondent of *Far Eastern Economic Review*. He specialized in philosophy, politics, and economics at Oxford University. After graduation, he joined a financial news agency and moved on to the British Broadcasting Corporation (BBC) as a new trainee. At the age of 27, he joined *The Economist* where he did various jobs in many fields. He visited Singapore in 1983 when the Southeast Asian Bureau of *The Economist* was opened. He has interests in finance and education. He has written many articles about Japan's ODA.

MR. KOICHIRO MATSUURA

Born in Tokyo in 1937. Mr. Matsuura is Director-General of the Economic Cooperation Bureau, Ministry of Foreign Affairs. He was educated at the University of Tokyo till March 1959. He joined the Ministry of Foreign Affairs in April 1959. He successively filled the posts of Director of the First North American Division, American Affairs Bureau, Director of the Development Cooperation Division and Aid Policy Division, Economic Cooperation Bureau, Counsellor, Embassy of Japan in the U.S.A., Director of the Policy Coordination Division, Minister's Secretariat, and Consul-General of Japan in Hong Kong.

HIRONO: Good afternoon. During the morning's discussions, Professor Iida and Mr. Joseph Wheeler gave valuable presentations. And in listening to their presentations I was struck, and I am sure that all the panellists seated here as well as many of our audience in this room would agree, by the fact that the provision of development assistance is a challenge for everyone concerned. If you look at developing countries, some are successful, and others are much less successful. Looking at these developing countries, which vary in the level of development, one naturally asks why some are more successful than others.

I myself have served in the United Nations Development Programme (UNDP), where I was in charge of policy planning and evaluation for two and a half years. During that time, I made tours through many developing nations to discuss that very issue.

Two panellists seated here, Mr. Matsuura and Dr. Snoh, have been friends of mine for more than twenty years, and I have discussed the situation in Ghana with Dr. Botchwey on several occasions in the past.

I am delighted that we have many distinguished guests from developing countries. The panellists will present their views respectively. They would be pleased to entertain any questions on your part and to engage in a frank exchange of views. Robert Cassem wrote a book "Does Aid Work?" and Joseph Wheeler this morning said that aid was working. Many divergent views have been expressed in this field, particularly on the subject of official development assistance.

In the 1990s Japan's official development assistance will become the largest in the world. So we are faced constantly by the question of how we can improve it to help the developing countries. As taxpayers, we are individually deeply concerned if there could be a more efficient way of utilising this aid. I am pleased to be able to show you some video tapes on the cooperation activities of JICA. We have three video scripts, each of which is about five minutes long. So it will be a fifteen-minute presentation in all. Permit me to take up some of the discussion's time now to show the videos.

The first one is about the King Mongkut's Institute of Technology, whose students were involved in creating this video with the cooperation of JICA. I think the video reflects the true picture of how the students feel about Japanese ODA and grant aid. The second video tape is about experts who are active abroad. Starting at 7:50 in the morning over the past five days, NHK has been showing some segments of this on Japanese TV. One is about the revitalisation of Indonesian National Railways and the activities that are taking place there, and the second is about the experts who are active in the Medical Institute in North Yemen. Thirdly, we have a video tape representing a few yen loan projects by OECF. Without taking up a lot of time, it shows the Kilimanjaro Agricultural Project, the Monbassa Airport Project in Kenya,

which I saw myself, the River Brantas Development Project in Indonesia, the Microwave Project in Paraguay and the Second Bosporus Bridge in Turkey.

Again, I hope you enjoy the videos.

(SHOWING OF VIDEOS)

HIRONO: That ends the video presentation. Yesterday when the panellists got together to discuss how to proceed with the panel discussion, I suggested three subjects that might be taken up. I therefore invite the panellists to share with us their views on the three subjects that I suggested. I might add that they are welcome to make comments on any issues or problems that they would particularly like to discuss.

Since we have many experts on ODA here in the audience, I would very much like to see them participate in the discussion. I would particularly like to leave time after the coffee break for free discussion, and hope you will all be actively involved. Before we break for coffee, I would like to give a few minutes to all the panellists to discuss the three subjects that I mentioned.

The three subjects are as follows. First, as we approach the 1990s Japan will most probably become the largest donor in the world in terms of volume of ODA. What is the role expected of Japan given that position in the world?

The second subject concerns the fact that there are many different developing countries, and that their respective circumstances and conditions all differ. The stages of economic development and the cultural and traditional backgrounds all vary. Therefore, I am inviting all the panellists to point out in the light of their own national perspective, some of the weaknesses or problems that Japan may have in terms of its ODA activities, so that we can learn from their suggestions and improve our assistance in the future.

The third subject has to do with various global problems, such as the refugee and environmental issues. What can the international community and particularly the donor community, and especially Japan, do to help resolve and alleviate these problems?

These are the three issues that I have proposed. In inviting their comments, I repeat that if there are other additional problems that the panellists would like to touch upon, they are of course welcome to bring them into the discussion.

The first speaker is Dr. Snoh. The panellist's background is printed in your programme, so I will not go into detail. For a long time Dr. Snoh was President of the Central Bank of Thailand. His distinguished career in the area of monetary and fiscal management has been widely noted. He has been consistent in maintaining sound monetary and fiscal management for his country. He is now Chairman of the Thailand Development Research Institute Foundation. It is from that perspective

that he is discussing problems of Japanese aid in Thai development. Dr. Snoh please.

SNOH: I was asked to focus on three different subjects, but I would like to concentrate most of all on the first one, and that is the role of Japan's overseas development assistance during the course of the next several years.

First of all, may I say that the role of Japan's ODA has become extremely important for the development of the world, and I as an Asian cannot but feel a little sense of pride to see that an Asian country has been able to do so well in such a short time.

Having said that, of course, we do realise that even Japan's ODA, no matter how good it has become, still requires discussion as to how it can be improved. This is the real subject of this international symposium.

I would like to focus my discussion on just two major issues regarding improvements in Japan's ODA. One is the quantity of ODA and the other, the quality. On the quantity of ODA, we appreciate the fact that it had a modest beginning 35 years ago when Japan joined the Colombo Plan on October 6, 1954. It was just a technical assistance programme, but has grown, particularly in recent years, to become the second largest donor amount. This year, Japan may become the largest donor country in the world.

In terms of quantity, particularly in view of its medium-term target, Japan has set an even more ambitious target of increasing its ODA by another $50 million. From that point of view, we might feel that Japan has done already quite a lot.

But if we look ahead to the future, and if we look more closely underneath this absolute figure, you will find that Japan's figure is not large at all, now that Japan's gross national product has expanded even more. In relative terms, what Japan is now contributing to the international community in terms of ODA is a mere 0.32 percent of Japan's GNP. In relative terms, Japan now ranks twelfth among the eighteen DAC member countries. So, it still has a long way to become the number one donor in a relevant sense.

The point I want to make here is not for lack of appreciation of Japan's efforts. I do appreciate the efforts, especially in the last few years. But I do want to emphasise the fact that Japan's ODA still constitutes a smaller percentage of its GNP than twelve other countries around the world.

Of course we may ask what target Japan should aim at. In 1987, the United States Senate recommended that Japan contribute as much as 3 percent of its GNP. I believe that is probably, almost certainly, unattainable. I have studied a number of proposals coming out of Japan itself, and I like the number which a study group, the Japan Forum on International Relations, Inc. chaired by the former Foreign Minister Dr. Saburo Okita, has come up with. It has recommended that Japan aim at 1 percent of its Global Contribution Initiative (GCI) by the year 2000.

It would include not only bilateral ODA but technology transfer, cultural exchange, and human resource development, working in multinational agencies. So, I would like to propose that the figure of 1 percent of GCI by the year 2000, combined with a broader definition of Japan's ODA, should be something which we should give careful attention to.

Regarding the second issue, the quality of Japan's ODA, I have studied a number of documents including the ODA Annual Report for 1988, and I found that there is no lack of ideas and good proposals. I think Japanese officials and Japanese scholars, including Professor Hirono, know very well what should be done. They do not need to wait for me to come all the way from Bangkok to tell them. Perhaps they have been telling the Japanese people long enough, and they have invited me to add another word.

In terms of wisdom, experience and ideas, I think the Japanese know what they should do, and I certainly endorse all of their proposals. If you can really implement those proposals, the quality of Japan's ODA will be vastly improved, and there need not be any further comment on it.

But since you have invited me to come here, I should add something from the recipient's point of view. I would like to make three comments on the quality of Japan's ODA. I will leave out the details and the mechanical aspects of improving the aid organisations and expanding the staff of OECF and JICA, which I believe need to be expanded and improved.

I was on television last night. I didn't see the programme because I was having dinner. But I said that in Thailand, for example, the size of Japan's ODA is twice as big as the Americans', but the size of Japan's ODA staff is less than that of the Americans'. This underscores the need for expansion and improvement.

I will not go into detail, but will just limit myself to three broad issues in terms of the quality of ODA. First, regarding the proposal coming out of the ODA Report, the proportion of grants in Japan's ODA should be increased. There has been criticism in the DAC countries, and elsewhere, that Japan's ODA consists mainly of loans, with a smaller amount allotted to grants. I support the recommendation for Japan to increase the proportion of ODA devoted to grants, and I fully support the suggestion to focus more on the African problem.

As the only speaker from a developing Asian country, I would like to remind Japan in paying attention on a global basis to its global role, not to forget that Asia is its close neighbour. Asia has the largest population, and the largest number of poor people, in such countries as China, India, Bangladesh, Pakistan. It is a huge number. The largest number of poor people in the world still live in Asia despite the fact that we are talking about the "Asian century." Since poverty and poor people are still concentrated in Asia, from a humanitarian point of view, Japan's ODA should give

a fair share to the poor in this region.

I do not want to dwell too much on that, since it is just a question of proper allocation. Apart from the point about poverty, a fair share of the increased grant money should also be allocated to Asia because of strategic considerations as well. I am not talking about the strategic considerations of the Americans, who are trying to press Japan to take on an increased share of the burden. I am talking about the strategic considerations of Japan itself, of Asia as a whole. There are critical areas here, such as the Philippines, which is almost the Achilles' heel of the security system in Southeast Asia.

Japan is now a very important member of the mutual-aid initiative for the Philippines. I think that certainly requires increased grant aid in order to shore up the efforts in the Philippines to overcome their fundamental problems. I think that if Japan increases its grant aid, the problems in the Philippines could be overcome.

There have been problems in Indochina for some time, but it is now very close to achieving peace. It might not come tomorrow, it might not come easily; there may still be some difficulties, but in the end it will come.

Japan and Australia are co-chairing the OECD Subcommittee on the Reconstruction of Indochina. They talk about refugees, and the reconstruction programmes, which would require increased grant aid, because these programmes are not in a position to receive a large amount of loans, Japan's favourite approach. More grant is required for such strategic countries in your region.

Thirdly, the so-called middle-income countries in Asia, represent some of the most successful recipients of Japan's ODA. For example, Thailand is probably one of the most successful recipients of Japan's ODA. We have been working together for a long time, and now Thailand has succeeded in entering into a new stage of economic development.

The question is whether we should phase out grants now that Thailand is just beginning to serve as a success story for Japan's ODA. I believe that Thailand still needs Japan's grant aid, not in traditional areas, but in new areas of cooperation, particularly the so-called software areas. I do not mean software for computers, but software in the sense of science and technology, in the sense of institutional development; a legal framework which would provide a managerial capability that would enable Thailand to manage its new economic structure. If we succeed in this restructuring process, Japan would also benefit in terms of its own policy of industrial restructuring. The assistance would not fall under the category of aid made on humanitarian grounds. The ODA Report offers two criteria, humanitarian aid and mutual assistance, and this would fall under the category of mutual assistance. The grants given to Thailand for this would be a case where both of us, and Asia as a whole, would benefit.

I have raised three cases above to justify my point that Asia still deserves its fair share of any increase in Japan's ODA grant funds.

Regarding the second issue, improving the quality of Japan's ODA; that is, the quality of ODA loans. Mr. Wheeler mentioned Japan as an example of having liberalised the conditions for ODA loans. I agree with that. Japan has liberalised a great deal of its ODA loans over the years, but there are still a few major catches.

For one thing, Japan's loans are soft ones. That was true when the exchange rate was 260 yen to the dollar. But now the rate ranges around 130 or 140 yen. That makes a lot of difference.

If you calculate the real costs to recipient countries, ODA loans are very, very tough and a lot of countries relying on them now are suffering badly in terms of the increased repayment burden. Japan itself has been very kind to think of reducing the interest rates. But the reduction in interest rates over the last two years has amounted at most to 1 percent.

For certain countries like Thailand, it was only 0.2 percent and that is not enough. Our actual debt repayments, including commercial loans, are a very heavy burden. This should be taken into consideration with regard to future ODA loans. Whatever can be done to dilute this burden of repayments would certainly improve the quality of ODA loans in real terms. Secondly, as mentioned by Mr. Wheeler, ODA loans have been lifted in most cases. The statistics show that it is true. But, the catch is that critical areas still need improvement. The consultants' portion of the ODA loans is still tied. "LDC untied" means that the bids under ODA loans would only be open to Japan and other developing countries, not to other developed countries. The ODA Report says that there will be a gradual reduction of this condition, until it is removed. I propose that this condition should be removed, not gradually either, as per the ODA Report's proposal. My proposal is that it should be removed expeditiously. The sooner the better. I have heard from informal sources that perhaps in some cases, it could be removed as soon as next year.

I hope so. This would be very beneficial because it would open up the door for international bidding, and assure that the price of ODA loans is competitive. It would also assure that the criticism that Japan has been using ODA loans as a means for promoting its own exports would no longer apply.

I think that it is very important for this understanding to be corrected. It would improve the international atmosphere so that the problem of international imbalances could be better addressed.

My third, and last point regarding improvements in the quality of ODA loans concerns the fact that ODA should not be considered as a stand-alone element. It is part of a triangular relationship consisting of aid, trade and investment.

If this triangular relationship is arranged in a proper way, then ODA loans,

ODA programmes, and the quality of ODA could be vastly improved. In the past, these relationships have been very well carried out by Japan because ODA loans support the trade of Japan, the exports of Japan, and the investments of Japan, mainly in import-substitution industries.

I am afraid that this is one of the fundamental points, not the only point but the key point, contributing to Japan's trade surpluses at the moment, and to the large international imbalances.

I am very pleased that everybody is now trying to help relieve this imbalance. Japan itself is trying to correct the situation, particularly since the major currency adjustment in 1986. Japan has also made official policy statements about changing the configuration of aid, trade and investment. They should reinforce one another to help the recipient countries, and not only benefit Japan's exports.

Japan has moved from being an export power over the last or four decades, to an investment power, and particularly since 1986 to an import power. Japan has tremendous purchasing power. A one trillion dollar domestic market can be foreseen in the year 2000. If this market can be opened up to the goods produced by countries that have ODA programmes, I believe it would improve the quality of ODA programmes tremendously. This is all I have to say, Mr. Chairman, in the time allotted to me. Thank you very much.

HIRONO: Dr. Snoh, that was a very substantial speech, as compared to those given during the time when you were Minister. Thank you very much for your speech.

Now, I would like to call upon Dr. Botchwey, the Secretary for Finance and Economic Planning in Ghana. In discussing official development assistance in Ghana, Dr. Botchwey's views on structural adjustments, as you know, have been well known and greatly appreciated by everyone concerned. We in Japan too appreciate Dr. Botchwey's success in utilising Japan's official development assistance to revitalise the economy of Ghana. Dr. Botchwey, please.

BOTCHWEY: Thank you, Mr. Chairman. Since I have the opportunity now to do so, I would like to publicly express my gratitude to the organisers of this symposium, JICA and OECF, as well as the sponsors, the Ministry of Foreign Affairs, for inviting me to participate in this symposium, a very important symposium given that there is a great deal of debate everywhere now regarding new ways to make development assistance more effective and supportive of development efforts in our countries.

These debates, Mr. Chairman, I think are also particularly important because they help to dispel a lot of old-fashioned, long-standing prejudices often used by policy-makers as a pretext for doing nothing or not changing the situation. For instance, they help to inform the public about the exact quantity of development assistance, so that this is stressed in the minds of the public.

They also help, or should help, to let the public understand that official

development assistance is not always given for entirely selfless or altruistic reasons. They help the public in developed countries to understand that people's standards of living, their livelihood and jobs very often depend on official development assistance. This assistance also helps to export natural resources to these developed countries and to create trade markets for things that they produce. These are all very important because unless they understood there may be a public outcry. For example, legislators criticise the government in the parliament about the size of official assistance, and so on, and then in the OECF and their equivalents in other countries, and then this is used as a pretext for further regional assistance.

Also, Mr. Chairman, it is important for these debates to help give the necessary and correct perspective on the amounts of money that are spent on official development assistance. I think it is important, for instance, to understand the amount of money that the OECD countries as a whole spend on subsidising our cultural commodities.

The amount of money that is spent on subsidies, such as mountains of butter and meat and so on, sometimes in ways that are totally incomprehensible, run counter to arguments we often hear about free market forces. These amounts are far in excess of what is spent on official development assistance to our country.

These are all very important facts that I think should come out in public debate, so that the public becomes better informed and more able to appreciate the role of official development assistance.

Finally, Mr. Chairman, I think that this sort of interaction would also help to put to rest a great deal of misunderstanding, and again, old-fashioned theories of development, which are occasionally resurrected. Sometimes these are fed by creative new examples, such as the one the learned Professor Iida gave us today about fire hoses. It is important that these help lead to a better understanding of the situation in developing countries so that these developments can then be put in their right context. Otherwise they often lead to the analysis, such as the one I am afraid Professor Iida was getting close to, that money alone is no good, and that technology somehow does not work because it bungles in the countries themselves.

Even software, therefore, will not do. What will do? Well, we do not exactly know; we must be patient. It is important to have discussions like this and I think that JICA should be commended for initiating such a debate. This is no occasion for polemics; it is an occasion for a honest search for a clearer understanding of the ferums of development and development assistance. It is in this vein, Mr. Chairman, that I offer my very humble suggestions.

Mr. Chairman, you have limited us to ten minutes; I will do my best with ten minutes; I can not promise but I will try very hard.

I would like to focus a bit on Africa, Sub-Saharan Africa, not because I am unmindful of the problems of developing countries in other regions of the world, not

because I do not appreciate that the problems of the developing countries and their needs are often universal, but because I believe that the problems of Sub-Saharan Africa are particularly great. They have a certain particularity which calls for special solutions, and I believe that the Sub-Saharan region perhaps carries some of the ugliest scars in world history.

I say this often, Mr. Chairman, so that there will be a better understanding of the situation in Africa, because I think that in many developed countries even today there is very little understanding, and a certain feeling of the hopelessness in other countries' regions, which was particularly prevalent in the 1970s. In the 1970s I think that the concern of the international community was that the African situation, especially the situation in the Sub-Saharan African countries, was hopeless, and that these countries somehow did not have the political will to initiate the kinds of internal, institutional, financial, and managerial reforms that will enable them to turn their countries around.

Mr. Chairman, today on balance I think one can say that these developing countries like Sub-Saharan Africa have demonstrated a far greater resolve in addressing economic and social problems, than, I dare say, some developed countries have been able to do.

For instance, out of about 40 or so countries the world over which are undertaking structural adjustment programmes, some 27 come from Sub-Saharan Africa. In this regard I am proud to say that the Ghana Programme, which we started in 1983, in many ways has set a trend which has now become fairly general.

The challenge that the whole international community faces today, the challenge that my friend, Mr. Wheeler and his organisation faces today, is whether the adjustment efforts of this increasing number of developing countries are going to be helped through timely and adequate provisions. Is the right kind of provision of human resources going to be provided in order to help the countries along? Or, are they going to be allowed to fail under the weight of the combined effects of high debt servicing, weak prices, protectionism in the developed countries, and inadequate economic funding?

The challenge is no longer whether the developing countries themselves can do the right thing that will allow them to deserve the support. The challenge is what they are doing now. The question is, will the international communities be able to put together enough resources of the right kind, and reserve these resources within the right time frame so as to ease the pain, the social costs of the adjustment and the effort, and thus enable these countries to mobilise the necessary social consensus needed to maintain the course long enough to make these efforts worthwhile.

Ghana's example, I think, gives some concreteness to both the difficulties and the hopes, the prospects that exist in our countries, especially in Sub-Saharan Africa.

We started our recovery programme in 1983 at a time when most countries, really, most of our friends in the developing countries, had more or less "written the country off." It was preceded by a whole decade of decline and a manifest inability on the part of the government to do anything about it. Between 1970 and 1982 we saw an almost unprecedented economic decline in the country. It cut income by 30 percent, imports by 32 percent, and exports by as much as 50 percent, with inflation averaging around 44 percent. As for domestic savings and investments, we could not even talk about them.

We started the programme which eventually moved in the direction of shifting relative prices to encourage production. We have demonstrated that African farmers are like farmers everywhere, and that, given the right incentives, they will respond and produce. African miners are like miners everywhere; if they are given the right incentives, they will work a little harder, and African exporters are like exporters everywhere, in that, given the right exchange rate, one that is renumerative and covers their costs and gives them some additional return, they will produce more for export, and will legally export the goods instead of resorting to smugging.

The effort has been successful over the five years. We have achieved a growth rate averaging 6 percent, which is very flexible, and the rate of inflation, which was about 142 percent when the programme began, has fallen substantially to 27 percent. It is still very high, but has come down tremendously. The causes of the relatively high inflation rate are not rampant monetary functions; they are a little bit different, but I don't want to go into that now.

After this pace of adjustment, we are continuing our adjustment efforts in the current medium-term programme, which hopefully will ensure that we achieve about 5 percent growth per annum over the next three years, that our domestic resource organisation situation improves, and that the balance of payments to institutions improves enough to enable us to generate a surplus to meet our obligations to the International Monetary Fund, pay our debts, build reserves in the Central Bank, and, at the same time, fund an adequate level of imports.

There are very difficult things, indeed. No doubt, as I said, the relative success of the programme was made possible by structural funds and the hard work of the people themselves. No doubt, also, our problems would be much more difficult without substantial external assistance. I am happy to say that this has come on a bilateral level. Japan has been a leading donor, a significant donor, from the very beginning, and now it is the leading donor. It, therefore, must share quite a bit of the credit for the successful external resource provision efforts that have made the programme successful so far.

What lessons can we derive from this Ghanian experience? Mr. Chairman, I will try to struggle with the three points that you asked us to speak about. I think

we have demonstrated that given the right combination of domestic resources, obligation efforts, and external support, what appeared to be a seemingly hopeless situation can indeed be resolved.

It was shown, however, that even a strong programme such as Ghana's, can indeed be seriously jeopardised if there is a sharp drop in commodity prices, such as the one we experienced with cocoa prices falling from about $2,800 a ton when the programme began, to the average price now of around $1,400. It is said that it may even go below $1,000 a ton.

So these programmes can be really endangered unless, in the face of such weaknesses in commodity prices, they are helped by either export earnings from other non-traditional exports or a substantial flow of concessional resources. Otherwise the programme will just continue, but the countries will simply be paying for this without any reinforcement in terms of growth.

Japan's official development assistance in Ghana, as I indicated, Mr. Chairman, has been quite impressive in both quantitative and qualitative terms. It has taken the form of project loans to key architectural projects, mainly in terms of infrastructure, the rehabilitation of ports, telecommunications, roads, food aid, social sector support, rural water supply, child care, mother and child care, and technical assistance.

I do not think that Japan should be apologetic about concentrating too much of its assistance on infrastructure. We cannot have rehabilitation without this infrastructure. It depends on what the country needs. If the country's economy has been run down for ten years, the likelihood is that this infrastructure will totally collapse, and therefore it is no use to go into the country and say, "We want to diversify the focus of our aid, and therefore we will do x, y and z." In those cases, it is important to put the money into infrastructure if that is where the country's major weakness is.

In general, Japan's ODA has also gone into the private sector in agreement with the country's government, and has been approved for the government-owned public investment programmes. Even better though, Japan's ODA has often come to us through co-financing with the World Bank. I think, these two points are very important because they help the process of aid coordination.

Donors often complain that the recipient countries do not do the right thing, and that they do not have enough capability to manage the aid, and so on. Mr. Chairman, if every month of the year, 50 missions are coming from 40 donors, there will be a strain on the developing country even if it were to happen in Japan or in the United States. It is much worse, also, if each donor insists on its own conditions, and demands to appraise projects all over again.

It helps a lot if a donor can channel its resources through well-studied or already-studied programmes and projects that are supported by the World Bank. As you know, this is what Japan is doing. It facilitates aid coordination in the double sense of ensuring

the integrity of the government-owned public investment programmes.

At the same time, it eases the paper work, and the same in the bureaucracy. Finally, as I said, it helps the integrity of the government public investment programmes in a very significant way. If every donor insists on doing what it wants, even if the projects are not in the public investment programme, you will end up with some white elephants, because the donor tends to seek high-profiled, big projects that the country can be identified with.

I think it is commendable that Japan has been collaborating with governments and other multinational agencies to ensure the integrity of government-owned public investment programmes.

We are capable, Mr. Chairman, of devising our own priorities. How can we improve Japan's ODA? There is a lot of talk about philosophy, about the need for philosophy. I think it is a good thing for the philosophical framework to be clear, but in this regard I tend to agree with Professor Iida who said this morning, "We must be careful here; it is important to have a good starting point and a clear perspective and philosophy."

But that philosophy, hopefully, should not mean bilateralism. The objective and philosophy of ODA should not be defined to mean what the donor country wants. The philosophy must be set within a multinational framework, and must be formed especially by what the recipient country wants. The basic goal of the philosophy must be to support that country's effort to develop a self-reliant, national, integrated economy. The philosophy of ODA, everywhere, must be to help build self-reliant, national, integrated economies in the countries that are receiving loans. The philosophy must not be what it often is, unfortunately, in some developed countries, to simply advance strategic or political interests of the developed country.

Sometimes developed countries make their ODA programme dependent on how our countries vote at the UN. Occasionally you get developed countries coming and showing you your record at the UN and saying "Last month you voted negatively. I am sorry but because of this we are going to cut your aid." This is no way to advance multilaterally.

We are independent, we are weak, and so on. It is in the interest of the international community that our sovereignty be respected, that we be able to voice our views independently. It is the only way you can advance our economies and relieve the cynicism with which many people often regard the work of these international organisations.

I associate myself entirely with the view of Dr. Snoh about the need to improve the quantity and quality of Japan's ODA in a sense of untying and releasing the grant element. While Japan's ODA has increased enormously, as Dr. Snoh said, it is much below the OECD average. Japan can do better than that.

But the point that I would like to make with your permission, Mr. Chairman, is that the geographical distribution of Japan's ODA needs to be re-examined. Almost 70 percent of that money is going to Asia, about 20 percent to Latin America and the Middle East, and only 10 percent to Africa. It is important that this be drastically reduced in favour of Africa. This should especially be borne in mind in the 300 million dollar human resource development fund which the Prime Minister announced recently at the annual meeting of the International Monetary Fund and the World Bank.

Finally, let me talk a little bit about technical assistance because I think it is important. The important thing to do in the area of technical assistance, Mr. Chairman, is first of all to encourage the country to develop a national framework and policy of technical assistance.

The aid that is provided through ODA for technical assistance should be fed into this national programme. The increasing resort to consortiums, Mr. Chairman, is ineffective. They very often have difficult problems in tackling money and is not the most efficient way of providing technical assistance. When a consortium comes, it takes a year to assess the country; by that time, it is ready to leave. Most experts do not come with any transparent, superior knowledge about the things that they profess to be expert on.

So, Mr. Chairman, just let me conclude by stressing that Japan must not be a reluctant superpower. It must be bolder and more democratic in its approach, especially in Africa. Instead of being a fetter and a cause for hesitation, Japan's relative inexperience in Africa should encourage it to chart new ground in ODA administration and to show the same creativity and initiative that has enabled Japan to be such a miracle in the economic history of the world.

HIRONO: Thank you very much for your encouraging remarks. It is twenty minutes past three. Let's stop here and break for coffee. When we come back, we will invite Mr. Holloway and Mr. Matsuura to speak.

(COFFEE BREAK)

HIRONO: Ladies and gentlemen, in this session after the coffee break, we were originally supposed to open the discussion to the floor and accept questions and comments from the audience, but two panellists have yet to speak. First, is Mr. Nigel Holloway, a correspondent with the *Far Eastern Economic Review* in Tokyo. Mr. Holloway, please.

HOLLOWAY: Thank you very much, Mr. Chairman. Ladies and gentlemen, I am delighted to be here. It is a great honour to talk at such a large and distinguished gathering, and I would like to thank the organisers of this symposium for inviting me to talk, and also if I may, to congratulate them on inviting our speakers, in

particular, Dr. Botchwey. I think it is important particularly for Japan that it should hear from such eloquent people from Africa about the situation there, because Japan obviously does not have a very good idea of the situation in Africa. I thought his speech was very stimulating.

I think it also shows that we are moving into a new phase where there is a more realistic assessment of the usefulness of aid, that it cannot be the "be all and end all!" On the other hand, I think there is a realisation that there is no such thing as a "basket case," that the hopelessness which Dr. Botchwey was talking about has evaporated. Every country, whatever its culture, can develop; there is nothing to stop an African country from performing economic miracles as great as South Korea or Taiwan.

What I want to talk about was a basic point, a very simple point I think, about the role of Japan's aid. The point is, that I feel that we have no clear idea, and Japan has no clear idea, of what it should be doing with its aid money. I think it is well known that Japan is likely to become the world's largest aid donor. We also know that it has problems in terms of implementation, that it has a small staff, and that some of its projects do not meet their objectives.

But I think that there is a more fundamental problem which needs to be addressed, that Japan has not clearly established goals for its aid policy. Without those goals it is difficult to assess the effectiveness of its aid policy. If it does not have goals, how can Japan choose the means to achieve its ends?

In order to make that point, I think we have to go back to the basics, namely, that there are three ways a country can project its power abroad: militarily, ideologically, and economically. Now, militarily, Japan has forsworn the use of arms overseas. The Constitution talks about "forever renouncing war as a sovereign right of the nation." So, we can rule that out.

On an ideological level, I think that Japan is clearly not ready yet to play an ideological role in the world. I think it is clear, for example, if we look at the inability of Japan to respond adequately to the revisionists' arguments in the United States. It is not an exporter of ideas.

So, we are left with the third point, which is the question of economics. Clearly, Japan is a global economic power. It has interests not just in Asia, but also in the United States and Europe, and in the rest of the developing world, in Africa and Latin America. In order to protect those interests, it has a basic foreign policy for all; its major foreign policy for all is official development assistance. I think it is important to focus on that: that ODA is the main tool that Japan has to influence the developing world, and as I will try to show, to influence the developed world as well.

Despite the importance of aid, I think that official development assistance receives very little serious attention from the Japanese people and their leaders. A lot of attention

is given to the failures of some of its aid projects, but I think every aid donor has problems with its projects. I do not think enough attention is given to what Japan's aid objectives ought to be.

For example, in the 1988 Annual Report of the Foreign Ministry on Official Development Assistance, only two pages of the 110-page summary was actually devoted to the question of what Japan's aid goals are.

Why is this? It seems to me that there are various reasons for it, one of the most important of which is the question of foreign pressure, or *gaiatsu* as the Japanese call it. I think that foreign pressure causes Japan to focus on means rather than ends. So much is expected of Japan these days that it has had to increase its aid disbursement rapidly, and this had led it to have to focus on how to spend the money from the "methods" point of view, without actually focusing on what the policies underlining it ought to be.

I also think that the effect of not having a clear idea about the objectives, is that there is a policy vacuum, which tends to be filled by foreign ideas, particularly from the United States, about how Japan spends its ODA. There is a common view among certain cynical officials perhaps, who say, "Japan, give us the money; we know how to spend it."

Another reason is that the Japanese parliament is generally weak in policy making; this is particularly true, I think, in the area of aid. Its interest in aid subjects is spasmodic and tends to only concentrate around the time when it deliberates on the ODA budget, which is once a year. It comes up occasionally otherwise, but aid does not win votes for politicians and parliament is very weak. It does not really play much of a role, and I think it ought to.

The result is, of course, that aid is dominated by technocrats, and technocrats tend to be much more comfortable concentrating on means rather than ends. Politicians ought to supply the ends, and technocrats can then tell them how those ends can be carried out.

I should say at this point that I definitely think that one reason why Japan does not concentrate on aid goals is the so-called "request basis for aid giving." It is very much stressed by Japan that it relies on requests from developing countries and, therefore, that it really is responding to requests. Nevertheless, it is still a dialogue between the donor and the recipient; this is not a passive process, i.e., that Japan is simply responding to requests.

Secondly, even if it does rely very much on a request basis, this does not stop Japan from having clear ideas about how best to help developing countries and how best to spend its money.

I would like to contrast the Japanese experience with that of the United States, where aid is over-politised. This, I think has led to a proliferation of aid objectives.

I would like to quote from a book published by the USAID that came out just a few months ago. In this book which, I think, compiles 31 policy objectives for aid, including things like "winning friends for the U.S. among the governments of the developing countries," and "countering the diplomatic initiatives of the Soviet Union." One mentioned goal in the book that I particularly like is "to create nonexistent and unnecessary institutions in host countries to satisfy the development notions of groups within the United States." The book goes on to say, "This list of 31 could go on for pages." Each year sees additions to it; there are never any deletions. In the absence of an over-arching Congressional consensus on development aid based on national interests, the strategy has become one of banding enough specific interests together to keep ever more burdensome and untargeted programmes alive."

So, I think that America has come to the same point, but perhaps from the opposite extreme. Let me just outline the basic policies enunciated by Japan. It talks about a basic philosophy of interdependence and humanitarian considerations, and then, if you look at the Foreign Ministry's Annual Report, it talks about "promoting global economic growth" and "contributing to peace and security." Actually, it does not mention the word "security," but rather "peace and stability," and "alleviating poverty in the 21st century."

These aims are as innocuous as motherhood and apple pie. It should be outlined in much more detail as to what Japan's aid objectives ought to be. I think that Japan does have aid objectives, but they are not really spelled out. I do not think that means that they have some kind of hidden agenda. I think people generally understand what they are, but they are not really discussed openly. In the 1950s and 1960s, aid was used to promote exports. They were basically tied to Japan's trade objectives, which were to first boost exports to promote industrialisation. In the 1970s, after the oil crisis, the overriding objective of Japanese aid was to promote the supply of raw materials, the so-called "resource diplomacy." As a result aid tended to pile into countries such as oil-exporting nations, like Indonesia and the Middle East.

In the 1980s, I think that the basic objective of Japanese aid has been to forestall protectionism in the developed countries. Countries like the United States have urged Japan to play more of a role in the world benefiting its economic status. It has been taking a "free ride," as they say, for too long; Japan has responded to this by spending more money on aid. When Japan announces its yen recycling programmes, as it has done a couple of times in the last few years, first the $30 billion and then an extra $35 billion — lots of money — they are announced not in a developing country, but in capitals like Paris and Washington because the audience is basically developed countries and not the Third World.

My most important conclusion is that there must be more open discussion of what Japan's ODA objectives should be. This should be carried out at every level

of Japan, in schools and universities, and also through the media, and in parliament. Ultimately, this question of debating and discussing Japanese aid policy becomes in Japan a debate about Japan's overall foreign policy.

The success of the developing countries lies very much in their hands; by the same token, the success of Japan's foreign policy depends on how well it can pursue its interests overseas. This requires a clear view of what Japan's interests are around the world. Thank you.

HIRONO: Thank you very much Mr. Holloway. Frank opinions were expressed concerning the goals of Japan's ODA. Now, we would like to hear from Mr. Matsuura on the role of Japan's ODA from the viewpoint of the Japanese Ministry of Foreign Affairs. Mr. Matssura, please.

MATSUURA: Thank you Mr. Chairman. I joined the Foreign Ministry thirty years ago. At that time, the "North-South problem" had come to light. I was first dispatched to Ghana, Dr. Botchwey's homeland. It was immediately after independence and they were making strenuous efforts for the development of the country, so I had firsthand experience of the situation in Ghana, and I was made aware of various issues.

As mentioned by other panellists, there are countries like the United States and other countries that are extending assistance to developing countries, and developing countries are doing their utmost to develop their nations, but there still seems to be some problems that need to be resolved.

So, it has already been thirty years since the words "North-South problem" was coined. However, the discrepancy has not narrowed, so there are still problems that need to be resolved.

We have to start somewhere, and in the developing countries the administrators in charge of development need to consider the actual ways and means to promote development. They need to consider realistic ways to improve the livelihood of the people. Taking fully into account those points, we, including Japan and other developed countries, have carried out assistance, trade, and investment overseas. This is a triangular relationship, as mentioned before.

This is, of course, a very big and critical issue for the Japanese Government. How can we effectively implement the measures that we have worked out? Recently the mass media has taken up the issue of ODA on a frequent basis. As mentioned by Dr. Botchwey, the natural environment is very critical, and the international economic situation is very difficult, with primary commodity prices declining. In such a situation, developing countries are making efforts to develop their own nations.

Because resources for assistance extended overseas comes from taxes paid by the Japanese taxpayers, Japan carefully screens recipients in extending assistance. So, we need to, by taking a prudent attitude, assist developing countries. Of course we intend to maintain this principle in the future.

Until now, we have faced various issues. The target that we established in the past was sometimes not fully met, and the failures are usually taken up in the mass media rather than the success stories.

As introduced in the video clips, the majority of the assistance projects have taken root in the recipient countries, and we would like to further promote such tendencies. Of course, the problems need to be resolved, need to be fully discussed with our counterparts in the recipient country's government.

By actually being involved in assistance activities in the Ministry of Foreign Affairs, I have had opportunities to hold dialogues with people from the recipient countries, and the points that I have raised now come from the impression that I received through various discussions up till now.

As mentioned by other panellists, especially Dr. Snoh, we need to expand the volume as well as improving the quality of Japan's ODA. In order to attain such goals, the Japanese public needs to fully support the assistance activity of Japan. Based on such consensus of the Japanese public, we can expand the volume as well as improving the quality of ODA.

Another point that I would like to make at this juncture is, as mentioned by Mr. Holloway, the relation of Japan's ODA to its diplomacy, or rather its foreign policy. I think Mr. Holloway was referring to the Annual Report of Japan's ODA for the year 1988. We recently published the new version of the ODA White Paper. When it comes to the relationship between foreign policy and ODA, we published the Blue Paper specifically concerning foreign policy.

I would like you to closely scrutinise the contents depicted in the Blue Paper for Foreign Policy as well. In any case, emphasis is placed on the relationship of ODA to Japan's foreign policy. In the past ODA focused on compensation for the countries affected by the World War, and also helped to assist the country's recovery. In the 1950s and 1960s, particularly in the case of reparations and loans, the goal was largely to promote exports. Later on ODA was targeted to secure natural resources for Japan. But now in the 1980s, the scale of ODA of Japan has expanded, and the emphasis placed on diplomacy, or the diplomatic policy of Japan, has become greater. So I would like to say that Japan's ODA is not considered on its own, but is considered in relationship to the foreign policy of Japan.

I do not have time to go into great detail on each point, but, as mentioned by Dr. Snoh, regarding the ODA's stance toward the ASEAN countries, in the mid-1970s Japan exceeded the United States in extending ODA to the ASEAN countries. Until the mid-1970s, the United States was the largest donor. So, even in that respect, the relationship between Japan and the ASEAN nations has been reinforced by such incidents in the past. Although there have been some problems as well, things on a whole have been improving. ODA has played a significant role in that.

As mentioned by Dr. Snoh, one manifestation is the tremendous effort being made in the Philippines in terms of a multinational consortium. We are targeting in terms of ODA's relationship to Japan's foreign policy toward Asia, the United States, and other Western countries. We need first of all to consider what the priority issues are, and what the points to be complemented by ODA are.

We also need to closely analyse the needs and priorities that should be emphasised in Japan's diplomatic policy. I may be a bit redundant, but, as I have said previously, ODA is of course offered with the objective of extending support to developing nations, to help their effort at self-reliance to create human resources, and develop the country.

One of the major pillars of diplomatic policies is considered to be ODA. So, first of all, we need to fully layout the framework for the diplomatic policy of Japan and consider ODA in that context. Thank you for your attention.

HIRONO: Thank you very much for speaking so briefly as the anchor for the panel. I will now invite participation from the audience. Having heard from the four panellists so far, you might have noticed already that there are basic points on which all of the panellists concur, of which I will mention three.

When we think about ODA in the 1990s, Japan has to think about the importance of increasing the volume of ODA in terms of its percentage of Japan's GNP. The second point concerns quality. Quality must be improved; in particular, the grant element must be increased. Technical cooperation needs to be enhanced and, as Dr. Snoh mentioned earlier, the issue of untying aid must be given greater attention.

The third common theme concerns Japan's future role as a global ODA power. Japan's attention has been focused so far on Asia. While the importance of Asia to Japan is understandable, in the future Japan's ODA will have to be increased toward other regions of the world, particularly Sub-Saharan Africa, as suggested by Dr. Botchwey.

Having listened to the remarks by the panellists, I think everybody agreed on these points. I believe that Japan's ODA generally speaking will be moving slowly but surely in those directions in the 1990s.

There are all kinds of people here who are actually involved in these ODA activities, so perhaps we can hear the perspectives of both recipient countries and donor countries, as well as the opinions of consultants and international organisations. I would like to invite as many people as possible to contribute to the discussion, and give suggestions as to what the role of Japan should be in ODA activities.

Now I would like to open the floor to questions and comments from the audience.

WHEELER: Could Dr. Botchwey tell us what he would like Japan to support in order to improve the way donor aid is provided to Ghana. Also, what kinds of measures does he wish for in the dialogue with Ghana, and among donors, what would Japan be supporting?

BOTCHWEY: In the continuing dialogue with donors, Japan can assist in a number of ways. One, it can assist in getting donors to facilitate the aid coordination effort more by adopting co-financing techniques a lot more than donors are doing now.

Secondly, this will require some improvement in the quality of Japanese ODA. I think that Dr. Snoh made the point about untying aid. Japan should first of all improve its record. I think that quite a bit has been done over the past few years in Japan to increase the proportion of untied aid, but a lot more needs to be done to enable us to get some credibility in this area so that Japan can participate in this dialogue a lot more, and with a better face, as it were. Japan should be able to do this, because Japanese companies are, by and large, quite competitive. I dare say they are a little more competitive than their counterparts in the other countries. Therefore, Japan should not be as cautious in this area as other countries are.

If we follow the rules of competitiveness in untying aid it is quite probable that the Japanese companies would get a good share anyway. Japan is already in a better position to do this. I suggest that it improve its own record in untying aid and then encourage other donors to do the same.

I made the remark that Japan is a reluctant superpower, and said that Japan should adopt a more assertive, but not aggressive, posture; a more democratic, instead of patronizing attitude. Therefore, in these aid-coordination efforts, Japan should play a more active role.

In any discussion, Japanese participation is always very quiet. Japan does not say anything. But it is important that Japan should begin to do so. I do not mean that they should "throw their weight around," but they should at least express their opinions, and begin to establish a more democratic tradition in meetings. Presently, I do not think that there has been any real contribution; they always listen and say very little. It feeds the impression that Japan does not know Africa well, and therefore does not do very much.

Finally, I think Japan should also really assist in national institution-building. Because of the feeling that Japan does not know Africa well, usually what happens is that when a judgment or a decision has been reached, Japan easily enters into arrangements with other donors and procurement institutions to do the work for them, bypassing local institutions, which may have the same competence.

It is important in this area that Japan begin to assess the dialogue by supporting local institutions' management-building efforts, rather than using this as an excuse to ignore them and tail behind other donors, who, they believe, sometimes rightly, know the country better. Thank you Mr. Chairman.

HIRONO: Thank you. Mr. Matsuura, please.

MATSUURA: Although Mr. Wheeler did not direct the question to me, first of all, I would like to say that Japan's assistance in Africa has expanded very rapidly,

particularly in the last ten years. If I may, I would like to quote some statistics.

Ten years ago Japan's bilateral assistance to Africa, more precisely, Sub-Saharan Africa, was around $50 million. Last year, Japan's bilateral assistance to Africa amounted to $880 million, more than fifteen times the figure ten years ago. We would like to be of more help to African countries in the coming years in their effort to develop economically and socially.

As Dr. Botchwey mentioned, we are co-financing many projects with the World Bank. I acknowledge some merit in such co-financing, but at the same time feel a little hesitant about greatly increasing the share of co-financing with the World Bank. Mr. Wheeler, perhaps you will recall that I made a proposal at a high-level DAC meeting last year about establishing, if possible, a variant method for non-project types of assistance.

The non-project type of assistance normally involves co-financing and is very difficult to evaluate afterwards. I was not able to get concrete results out of non-project types of assistance to show to the Japanese people what we had achieved through our assistance. Therefore, although I acknowledge the merits of non-project types of assistance, I still hesitate to increase such assistance greatly.

But when it comes to untying aid, a subject Dr. Snoh touched on, I would like to say that Japan is the top donor among eighteen donors in terms of the proportion of aid it has untied. More than 70 percent of Japan's aid overall has been untied, it is something we can be proud of internationally. When it comes to other aspects of aid quality, which Dr. Snoh elaborated upon, we have to improve further. But as far as untying aid is concerned, I am not ashamed of the current situation. In fact, I take great pride in proportion of Japan's aid that has been untied. I said about 70 percent. If you take just concessional loans, ODA loans alone, the untied amount is almost 80 percent. The consultants' portion is definitely delayed compared with other components of ODA loans, but we are gradually untying this aspect of ODA loans.

Dr. Snoh objected to the notion of gradual change, but I would like to note that we will untie the consultants' portion of ODA loans to several countries, including Thailand next year, and hope to make further advancements in that direction.

What Dr. Botchwey said about the Japanese delegation at donors' meetings reminds me of a point raised by a previous speaker, I don't remember whom, that our system has a serious lack of staff. I wish I could send a senior official from my bureau to a donors' meeting. I can assure Dr. Botchwey that he would not be silent at all. Normally we cannot cover all the donors' meetings with senior officials from my bureau. Japan helps 135 countries, plus nineteen territories, around the world, and it is almost impossible to send responsible senior officials to all the meetings. But what he said is quite right; we have to be more assertive, in these meetings, and

we have to point out what we think. Thank you Mr. Chairman.

HIRONO: Thank you very much. It seems that there is some interest in this issue. Mr. Holloway, please.

HOLLOWAY: I think Mr. Matsuura is right to stress that the level of untying, or the proportion of untying as a proportion of total aid, is much higher than average, and also that the direction of untying is moving in the right direction.

Correct me if I am wrong, but one reason why the portion of untying in total Japanese aid is so high is because the percentage of grants as a percentage of the total is low. Other donors give a lot more money in grants than Japan does, and grants tend to be most closely tied than loans.

HIRONO: I think that that explanation has truth in it, but I would like to point out that the Japanese yen loans in recent years have become increasingly untied, and some industrial sectors in Japan have complained about this "excessive" untying, because they feel that they are not reaping the benefits. In expanding Japan's ODA in the 1990s, I think we have to establish a national consensus. I think we have to resolve this issue together.

The next question, please.

QUESTION: Regarding the Brady Plan for debt relief, I would like to know if ODA intervenes in this framework, and, if so, in what way?

HIRONO: Would somebody like to comment on debt relief in relation to the Brady Plan?

MATSUURA: ODA doesn't have much to do with the Brady Plan, but ODA has debt relief measures for the LDC, the least developed of the developing countries, which are mostly located in Africa. In other words we have no legal framework for payments to LDC, so we have decided to do so in a de facto manner by extending grant assistance, which corresponds to the annual repayment of past loans.

This is something different from the Brady Plan. As far as the Brady Plan is concerned, we are offering the Export-Import Bank loans, which are not ODA loans but nonetheless are completely untied. We have already made a commitment regarding such loans to Mexico and the Philippines as part of a comprehensive debt relief plan to those two countries.

HIRONO: Any other questions? Are there any Japanese in the audience who would like to comment? One of the panellists commented that the Japanese are silent.

QUESTION: My name is Amano and I am from OECF. I have a question for Mr. Holloway. You made a presentation about the objectives of assistance. I think they are threefold: militaristic, strategic, and to supplement and assist the economy. Constitutionally, Japan is prohibited from taking the first objective, so I think the second and third objectives are what we are trying to achieve, particularly the third objective, which is to help the economy. I think this is the attitude that we are forming

in any realm, whether it be economic cooperation or foreign policy.

In that sense, too, we are concentrating our aid on Asia. As a result of that, Asia is developing rapidly, and contributing to the prosperity of the world as well.

In that sense, I do not think we should be accused of being vague. I think our objective is fairly clear. Mr. Holloway, I think you are taking the Christian viewpoint that, in order for aid to meet the goal, it has to arise from a philanthropic or altruistic motive.

HOLLOWAY: I am not sure I understood the question. The first point I think that was made concerned the pursuit of one's interests abroad through military means, ideologically and economically, which are not actually aid. I was not describing those as aid objectives. These are just the ways that one can pursue one's interests abroad. I was just stressing that military means are ruled out, and ideologically Japan does not promote ideas through its exports, as such. Therefore, its economic projection of power, and thus aid, is an overriding tool. I just wanted to stress the point, that the world and Japan must realise how important aid is to Japanese foreign policy.

As you rightly point out, Japan's contribution to Asia could be regarded as an objective. I wholeheartedly agree with that. In a sense, it is a strategic question. Japan's neighbours are extremely important to preserve peace and stability; therefore, the majority of aid has gone to Asia.

I should also like to point out about aid to Asia in terms of geographical distribution, that, in 1971, I think, 98 percent of Japan's bilateral ODA went to Asia, whereas the proportion now is, or last year was, 65 percent. So it has already fallen considerably since the early 1970s, partly under pressure from the rest of the world to diversify the distribution of aid.

Regarding the point that I was espousing a Christian viewpoint, I think it is important to stress firstly that Japan does not have moralistic or altruistic reasons for an aid policy. That is fair enough. It has, I would say, a hard-headed attitude towards aid, which I respect, and it has some advantages and disadvantages, which I do not really have time to go into now. But I would not say that I was espousing a Christian viewpoint. Whether you are a Christian or a Buddhist, or whatever, you still have national interests that you wish to pursue, and your aid policy has to reflect those whether it is moralistic or otherwise.

HIRONO: Thank you. Does that answer your question? I would just like to say to you, Nigel, that it is true that public debate in Japan on ODA policies and goals may not have been as active as in the British Parliament or the U.S. Senate or House. At the same time there has been an active debate in different circles in Japan, not only among the members of Parliament. I know at least eighteen members of Parliament who are now debating about aid policies, goals and management. They come from not only the LDP but also from the Socialists and other parties. In fact,

both the Socialists and Komeito recently even presented to the Parliament their own draft of an International Development Cooperation Act patterned after the United States. A debate has also been going on among academics about aid policies and aid objectives. When we debate we usually invite bureaucrats to enter the discussion too. We have had a lot of fun debating about it, but since we debate among ourselves you may not know what sort of discussions are going on among us.

Let me just add that last night, in fact, following heated debate and preparation during the last two years, we decided to create an association called the Japan Society for International Development among academics, politicians, journalists, government bureaucrats and consultants, as well as industry people who have had experience in aid programmes and projects.

I am sure that this kind of effort on the part of all those concerned will enrich our discussion on aid. Probably what we should do in the future is to invite Nigel to the discussions. Thank you. Any other questions?

QUESTION: My name is Oda, and I am from KF Engineering. My question is directed to Mr. Matsuura. Today, the newspapers reported the significance of the international symposium we are holding today. They talked about the ODA White Paper and said that, in all previous Japanese involvement in assistance projects, the human side was lacking, and staff involvement was in short supply. I belong to a consulting company, and I agree with this kind of statement in the newspapers.

From the viewpoint of a consulting company, one thing that stands out in terms of Japan's activities in the past is that Japanese involvement so far has mainly been in the creation of infrastructure. But now that Asian countries are taking off, they are going to require more manpower training to develop their own human resources. They are interested, for instance, in establishing a research institute.

I think there will be more work along these lines in which we can become involved. So far, JICA and other agencies have been involved in infrastructure-related activities. These activities are mainly led by consultant groups headed by people who have a civil engineering background. In the future it is not building that is going to be important, but rather ideas or mental frameworks.

It is not sufficient just to emphasise building structures. So far the approach has been to build first and then put in the soul or philosophy. But what we need now is heated debate on the soul or mentality.

We receive JICA projects every month, and we are consultants in bioengineering. We are probably the only company really that started with JICA. There are projects which we are interested in participating in, but in bio-related projects, civil engineering companies usually are the first to volunteer. We are only given a secondary role to play, but research and development require the efforts of a company that is well versed in such expertise. Thus, given the need for human resources in the future, what are

your policies regarding the development of consultants in Japan?

MATSUURA: I brought with me today, the first and second volumes of the ODA White Paper. In the first volume, the summary talks about the issues faced by Japan's ODA. A rather detailed analysis is given, and I know the newspapers have reported on this to a considerable extent. We only have this in Japanese now, but will be preparing English, French and Spanish translations. I hope the audience will read this White Paper. It talks about the importance of stepping up the set-up for implementing aid. It talks about the lack of human resources, and the need for training human resources, particularly in the private sector, where manpower must be developed. It talks about consultants as well.

By international comparison, as you point out, it is true that the Japanese consultants are not playing a sufficient role. To identify and develop good projects for aid, consultants can play an important role, and I believe that in Japan in the future a more active role should be played by consultants.

When one talks about human resources, both hardware and software aspects must be taken into consideration. It is true, as you say, that we have given too much priority in the past to the hardware aspect of aid projects; now we have to give greater thought to software aspects as well. And we are determined to do so in future.

HIRONO: Thank you.

QUESTION: My name is Nasim and I am from Bangladesh. Bangladesh is one of the LDCs; fortunately, it is also the largest recipient of Japanese grants, but within the total grant amount, debt relief has been included. With the new debt relief measures for this fiscal year, the debt relief amount has increased dramatically, at least as far as I know, for Bangladesh. For fiscal 1988, the debt relief grant was 5.2 billion yen, but this year it has been estimated to be 9.2 billion yen. Since this debt relief has gone up so much, general grants for projects will be much less. I want to know what the thinking of the Japanese government is on this matter.

HIRONO: Thank you.

MATSUURA: It seems that I am the one to answer that question. You are quite right in saying that the portion of debt relief grant in the totality of bilateral grant assistance has been increasing, particularly in the case of Bangladesh. I think you have heard Dr. Botchwey, representing Africa, call upon Japan to allocate more assistance, in particular more grant assistance, to Africa.

We would like to extend grant assistance to all needy countries in all parts of the world, to the maximum extent that they wish to have. But, at the same time, we have to manage within the existing grant-aid budget. The question, therefore, is how to allocate the funds. Although we want to give a large portion of grant assistance to Bangladesh, we have to consider other countries which are in need of grant assistance from Japan.

HIRONO: Thank you. Mr. Botchwey?

BOTCHWEY: This is quite interesting to me. I would like to follow it up a little bit if I may, because Mr. Matsuura's response raises concern in my mind, and I would like to get some kind of clarification of the Japanese position. Many African countries, and less developed countries wherever they are, are simply not going to be able to pay their debt back without severely limiting their possibilities for development. In some of these countries, the debt-service ratio is over 100 percent. That is, even after applying all their exports to servicing the debt, they would still not be servicing all of it.

In answer to an earlier question about Japan's attitude to the plan, I think, as Mr. Matsuura explained, that there were some constitutional obstacles to a frontal approach to the debt problem through debt relief, and therefore that Japan was trying to do it through grant aid. But that runs into difficulties because of the limit on available resources, as more and more countries become eligible for them.

Is there any possibility of Japan overcoming this basic difficulty? Clearly, with the resources not being limitless, most countries that frankly need that relief are not going to get it. They are not going to get enough grants to help reorganise.

So, what is the medium- to long-term thinking of Japan, if this grant-recognising method is seen as a temporary short-term measure? Is there any medium- to long-term thinking which will address the problem frontally?

HIRONO: Mr. Matsuura, please.

MATSUURA: It is a very difficult question, but I will do my best to reply to it. With the permission of the Chairman, I would like to quote a few statistics. Japan's total grant aid assistance is 210 billion yen. Out of this, 30 billion yen is ear-marked for debt relief. That means that 180 billion yen is available for the normal type of grant aid. We intend to increase the grant-aid budget in the coming years. Therefore, we will be in a position to extend debt-relief grant aid without affecting the normal portion of grant aid.

The second point is, nonetheless, that it is definitely true that we will not be able to respond fully to the needs for assistance, even from the poor countries which ought to be helped with grant assistance. The question before us is whether to respond negatively to that amount, or to respond with concessional loans. We are, frankly speaking, in a dilemma. I face that dilemma very often, and of course we do not make decisions unilaterally. We talk to recipient governments a number of times, and we only make decisions after both sides, namely the recipient government and ourselves, are fully convinced. But it is a big dilemma for me, frankly speaking.

HIRONO: Thank you, I think it is reassuring. Any other questions or comments, please?

QUESTION: My name is Farrakh Qayyum, and I am from Pakistan. My question

is for Dr. Botchwey. Since this morning, especially after Professor Iida's talk, one has the impression that the developed countries, or donors, feel that there is something missing in the recipient countries, that the spark is not there, the software is not there. As you said, the impression was that Africa is a "basket-case."

Don't you think that it is time for us, the recipient countries, to have a serious platform to sit down to seriously debate why that impression exists, and whether it is well-founded? If fears are well-founded, what are we collectively supposed to do to get over this feeling? Because whenever donor countries or delegations come to the recipient countries, they are very skeptical. The project is there, but they do not come with all that much optimism. They say, maybe involvement is lacking at a national level, and that, the political damage will continue for another two years. They also say that the project is on the government's high priority list at the moment for political reasons, but that, in the government, it will become a low priority project, so we have to object to the previous regime's project just for the sake of rejecting it.

At the national level, we have a ODA plan like a development plan, in which the country is taken as a project, and all the small projects are inter-linked. In my experience in Pakistan, sometimes we request aid for a similar project from USAID, while another forum comes with a similar request from OECD.

We feel that a collective sense of need is lacking in our countries, and so the recipients need to sit together and prepare a management-information system which is true to our needs and relevant to the level of development we have.

A system given to us by the United States, OECF or Japan may be too sophisticated for us to maintain, run, or understand. Don't you think it is time that we had a very serious forum where we all sat together and started debating this issue?

HIRONO: Thank you. Would you respond, Dr. Botchwey?

BOTCHWEY: Thank you Mr. Chairman. I would agree with you that we need a platform to study as much as possible, with a view to dispelling some of the erroneous perceptions that developed countries have of us. In saying so, I am not by any chance saying that there are no forums in the developing countries. I am saying, however, that very often these forums are grossly exaggerated. I will give you a small example, Mr. Chairman. I tried recently to obtain a banker's draft in the United States, the leading centre of capitalism, entrepreneurship, banking, and so on. And I had horrendous problems in one bank after another. I could not understand what was going on. It was in Washington, and they were called Unit Banks. Maybe they were not as cosmopolitan as they are supposed to be.

I have had experiences with immigration officers in developed countries, when I have asked myself where all the efficiency was. I see some of the weaknesses in bureaucracies in our countries, that are even worse in those countries.

We do not draw the same conclusions about them, and I fear that sometimes

little examples taken out of context are exaggerated, and dark conclusions drawn from them. Therefore, the platform you are talking about is important for the purpose of addressing social weaknesses, where they are real, and dispelling them where they are basically only imagined.

Perhaps the Pakistani experience is a bit different from most African countries today, both in Sub-Saharan Africa and the northeast. I can understand that donors feel a little uneasy because in the past there has been a discontinuity leadership, not enough commitment to projects, and so on.

But now most of these countries are undertaking structural adjustment programmes of one sort or another with the World Bank and the International Monetary Fund. These are multi-year programmes involving, in most cases, public investment programmes, where national priorities in all sectors, and projects, have been clearly set out, and where even the rate of return on investments in all the projects has been calculated, very often with the aid of consultants.

The good thing about these programmes is that donors who are skeptical about the political commitment of the country can at least take comfort in the fact that these are medium-term programmes, and that the government is committed to paying off. So it does provide some continuity. At any rate, the record shows that over the past decade or so, there has been a tremendous improvement in local commitment and continuity.

I have been attending finance meetings on this subject for the past six or seven years, and I am encouraged to see the same continuity, although, even in that regard, there are some developed countries where governments change almost every month. I do not want to name them, but you know some where there is a change every month. Yet, somehow, it does not cause quite the same concern.

I am not apologising that there are many institutional weaknesses in our country. I agree that these must be addressed partly through this kind of dialogue and through our own platform.

I think, however, that it is important that these weaknesses should not be exaggerated, because the conclusions drawn from them would just paint all of us with the same brush. When programmes fail in our countries, the task of social scientists is to find out why they failed, instead of jumping to the conclusion that they failed because the country was a developing one. You must find out why, because projects fail in other countries as well.

I agree that we need a platform. My point is that the platform must be used to publicise our problems, to make developed countries understand us better, and, at the same time, to address our weakness but, even more importantly, to put aside myth and exaggeration so that we can address the real problems as opposed to imagined ones.

HIRONO: Thank you, Dr. Botchwey. Coming from a country with a strong bureaucracy, Dr. Snoh, would you like to say anything this subject?

SNOH: It might have been strong when I was a bureaucrat, but we have now entered a period of full democracy, and so the number of politicians has increased and there is a much greater balance. The technocrats and bureaucrats do not dominate the scene so much, now that the system is becoming more democratic.

I appreciate all of the points that the Minister of Finance from Ghana has made. I think he has had a considerable impact on this meeting, by presenting the views of Africa in a most rational way. I support the points that he has made, and I wish him well. I wish that the international community would pay greater attention, and, more particularly, differentiate between myths and realities. I merely wish to support all that he said.

HIRONO: Thank you. Yes, please.

QUESTION: My name is Siribaddana and I am from Sri Lanka. I have some personal observations. In my country, Sri Lanka, the major problem is unemployment. Twenty percent of the labour force is unemployed, specifically young people just out of university or school.

We have to solve this problem. We should have more labour-intensive projects. In labour-intensive projects, the import component is very low, meaning that the local cost is high. So, cannot Japan think of covering more local costs for these projects through such means as commodity loans. Also, the United Nations asked the UNDP and the TCDC programmes, joint projects in developing countries to train people in each other's country. I do not think that Japan comes into the picture regarding the TCDC programme. Cannot Japan give some assistance to help develop the TCDC programmes?

MATSUURA: First, on local-cost financing, we now have a more flexible system in ODA loans. In the past, our principle was to finance the foreign-currency portion, assuming that the local-currency portion would be financed by the recipient governments. But we now have a more flexible attitude toward the local cost of financing. Like the World Bank and the Asian Development Bank, we address the total cost and make a commitment on the first percentage of the total costs of financing, ranging from 70 to 80 percent, I think, regardless of the nature of the financing. The rest, of course, must be financed by the recipient governments, but we are now able to take up projects which require large-scale local-cost financing.

We are in favour of helping developing countries through TCDC programmes. You saw on the video how our small cooperations have grown into full-fledged universities in Thailand. In collaboration with the Thai government, we have training programmes there for people from neighbouring countries. It is a kind of TCDC programme, and we have similar ones in other developing nations.

HIRONO: Thank you. Any other questions?

QUESTION: My name is Kawai and I am from JICA. I would like to ask Dr. Botchwey and Dr. Snoh a question as well, concerning the difference in development of the so-called developing countries. There is great variation in the present economic situation in the Third World, ranging from countries such as Thailand to the least-developed Sub-Saharan Africa, but there is a growing awareness among the donor countries that we have to encourage participatory development in the developing countries. In other words, everybody, not just the public sector, in the developing countries should participate in the process of economic development. In this respect, the development of private enterprises is recognized as being more and more important.

My question is addressed to Dr. Botchwey. What are you going to do to invite private sector interests, both domestic and foreign, in the development process of your economy? And, what would be the role of Japanese ODA or other aid activities, regarding the investment environment and private enterprise?

I think the situation is different in Thailand, where the private sector has been well-developed, but Dr. Snoh may still have suggestions for the donor on what we, as the donor, should be doing to further the development of the private sector.

HIRONO: Thank you. Dr. Botchwey, please.

BOTCHWEY: Thank you, Mr. Chairman. I think that is a very important dimension of the problem that the developing countries face. Clearly, there is no way our countries are going to be able to attain the growth rates that we desire, to alleviate poverty within a decent time, unless we set up private investment which is both domestic and foreign in origin.

Most adjustment programmes that are being undertaken in Africa, have a strong private-sector component, promoting development. It usually takes the form of enactment, that is improvement in the legal climate through enactment of a new investment code that provides better incentives.

We have come a long way as a country. DAC has assisted in this connection by fielding a mission to study regulatory as well as environmental aspects of private investment. The Multilateral Investment Guarantee Agency (MIGA), is shortly going to be organising a seminar in Accra which will, to start with, be for the areas of Sub-Saharan Africa. So we are doing a lot to provide incentive and to improve the environment generally. It is something that we have to pursue vigourously because we cannot achieve our goals on the back of public investments alone, even with ODA assistance.

But our difficulty is this. The markets in our countries are small, although this is the age of large-scale industry, and investors often look for a very large market. That has to be overcome in some way. We are thinking of overcoming the problem by pooling our resources, that is, breaking down national barriers and thinking more

in terms of sub-regional areas.

The more difficult problem, which I think Japan could help with — maybe JICA, in fact, could help with — is this. Foreign investors' perceptions are very fragile. One little incident spoils the game. If any investor does not know Africa, for instance, it is often a very difficult gap to bridge. In terms of development, investors have so many options, also so many places to go for factories, that it is difficult to lure them to Africa.

Most countries have done about everything that they can, but because of such perceptions about the safety of investments, about capital loss, and so on, there is still a great deal of hesitation on the part of private investors. But we do need private investors, especially in the area of small- and medium-scale industries.

Perhaps what JICA can do, or even ODA can do, if it is possible to get ODA assistance, is to provide seed-money for projects that may not immediately be commercially viable. The funds could be transferred to private sources, or be used in some other way to provide assurance and guarantees, because investors very often do not even find out that we have MIGA requirements. And yet, investors complain that they are not offered enough guarantees.

We are signing bilateral agreements with countries to provide protection for investments. But even countries who have done this still do not quite see it as being adequate. We are very interested in Japanese private investment, which we do not have much of. The Japanese companies often come to the country when there is a tender for supplies or construction. That is, when the money is available they flock there, but when it comes to risk capital they are very reluctant.

It is a very important dimension of our development process, and I would like to hear from JICA or Mr. Matsuura what possibilities they have of helping our initiatives in this area through some creative forms of ODA utilisation.

HIRONO: Thailand is a country where private investment is flourishing. Before we ask Mr. Matsuura to respond to your question, perhaps Dr. Snoh would like to say something.

SNOH: You have raised an important question. Thailand is, indeed, now growing at a rapid pace. In fact, we have grown at double-digit level for two years in succession. It is likely that we will continue to grow at a fast pace in the foreseeable future.

It is also correct to say that the role of the private sector is exceptionally strong, and is taking almost a vanguard role in this development process. But at this juncture, because of our success and because of this high growth rate, we are now running into problems of infrastructure. We are running into basic bottlenecks, ranging from infrastructure to human resources, joint venture arrangements, and environmental considerations.

I am raising this matter, not because the problems will be unsurmountable, but

because of the need to address these problems and try to overcome them. With the understanding of Japan, the largest investor, we can certainly overcome them in the near future.

Japan's OECF has concentrated on removing fiscal infrastructure problems. The Thai government is also trying to remove the bottlenecks through deregulation and improvements in the performance of our trade enterprises.

The role of the private sector in the infrastructure will be growing in the future, including the increased privatisation of financing for additional infrastructure projects. The expressway in Bangkok for example, is now being privatised, as is the elevated railway system. So the role of the private sector is important even in the removal of infrastructure bottlenecks.

The Japanese and Thai private sectors, that is, the banking community, can help together with financing, because it will require a sizable amount of funds.

Regarding human resource bottlenecks, the name of the game is, of course, the improvement and expansion of our educational system, particularly in the areas of science, technology, and engineering. We are now planning to step up the number of engineers to be produced annually. We also have scholarships for sending engineers overseas. Because of the language problem, not all of them are coming to Japan. But I am sure that a result will be examples such as KMIT at Ladkrabang, featured in a video shown earlier. This is certainly one of the best Japanese technical-assistance projects anywhere.

I hope that Japan will try to repeat all of these success stories, by helping existing educational institutions, which already provide a strong base, to expand in order to remove this human-resource bottleneck. Please also consider new educational institutions. We are setting up new institutes of technology. One will be in Korat in the northeast. For the first time, we are trying to organise this new technical institute in the most flexible and non-bureaucratic way so that we can take care of the human-resource problem as quickly as possible.

The Japanese private sector, too, has played an important role by sending a large number of Thai people for hands-on training in Japan. It has benefited Japanese industries, which are now short of labour. But at the same time, our trainees have learned not only technical skills but also about customs and work culture, where Japan excels, and they have gone back and become very good workers.

These human resources include not only science and technology but research and development. Some speakers mentioned earlier that research and development have now been selected as a promotable activity. We are now promoting the establishment of research and development facilities in Thailand. Please take advantage of these facilities and invest in human resources to remove the bottleneck.

I am glad that the joint venture agreement is no longer restrictive. It allows

much more room for the transfer of technology through the Thai private sector, and also permits exports without franchise restrictions.

Finally, the environment is an important consideration. It will become a bottleneck, the more we industrialise and have to pay attention to environmental quality and pollution control. We are now dealing with these problems by setting up new industries in special areas so that we can invest in pollution control mechanisms, which require sizable capital investment. But putting all the industries of one kind together will produce economies of scale, enabling investments to be made in the installation of environment control.

More importantly, the invested capital can be upgraded. Otherwise, equipment may be installed that does not operate. By supporting industrial-area development, we would also support improvement in our environment, which in the end would support further industrialisation and more joint ventures between Japan and Thailand.

HIRONO: Mr. Matsuura, do you have anything to say?

MATSUURA: I think what Dr. Snoh has just said about Thailand in fact constitutes an answer to Mr. Botchwey's question. Nontheless, I would like to summarise three elements, which are very important in the perception of potential Japanese investments. The first is deregulation. Dr. Snoh did not touch on that point in specific terms, but too much government control over the private sector or private entrepreneurs is not good. The second and third elements, infrastructure and human resources, are points that Dr. Snoh has elaborated upon. In these two areas, I think Japan's ODA has a role to play. Dr. Snoh has referred to some examples of cooperation using Japan's ODA in Thailand. Improvement of the infrastructure is essential for attracting foreign investment. Being in a position to supply engineers and other types of skilled labour is also essential to attract foreign investment. In these two areas Japan's ODA in particular has a very important role to play.

HIRONO: Thank you. Any further questions? Yes, please.

QUESTION: My name is Al-Nsour and I am from Jordan where I work for the Ministry of Planning. My question is for Mr. Matsuura. During the last years of the Iraq-Iran War, when some superpowers were sending their battleships to the Arabian Gulf or Persian Gulf, Japan decided to spend some money in that area to stabilise the region, and Jordan was given $300 million. At the time this was explained in terms of Jordan's role in the stability of the region. Part of the money was spent on roads. When Jordan wanted to spend that money on direct, productive projects, such as the postal rate and postage, we were advised to go to the Export-Import Bank, which, of course, offers a commercial rate.

I want to hear from Mr. Matsuura about how building more roads or infrastructural projects can contribute to the stability of the region. As I see it, this will over-burden Jordan's debt. As some of you may know, some internal trouble

was caused in Jordan in mid-1989 when we applied some of the recommendations of the World Bank. So, can you please explain the real philosophy behind this $300 million? Thank you.

MATSUURA: Mr. Chairman, I would like to respond to that question in general terms. First, we have a policy of categorising developing countries in accordance with their development stage. Jordan is categorised as a middle-income country that is not qualified to receive grant assistance. We would like to extend grant assistance to low-income countries.

The second point is that we extend ODA loans and non-ODA loans in the form of the Export-Import Bank loans to developing countries. Regarding your question about the kind of yardstick we apply in deciding on projects for ODA loans and the projects for non-ODA loans, we depend on the concept of rate of return. That is, we do not like to finance with concessional loans, projects which are likely to produce profits in the coming years. We figure that these projects can be financed by non-ODA loans.

Some of the projects you mentioned were judged to be profitable, in other words, to have a higher rate of return than projects qualifying for ODA loans. Most infrastructure qualifies for ODA loans. Infrastructure has a certain rate of return, but it is not high enough to be financed by non-ODA loans. So, in our system, most infrastructure projects are financed by ODA loans.

HIRONO: Thank you. Any more questions from the floor please?

QUESTION: My name is Oshima and I am from the Foreign Ministry. As regards the role of ODA, the economic aspect has been referred to, as well as the diplomatic aspect mentioned by Mr. Holloway. Regarding assistance, the humanitarian or moralistic aspect has not been mentioned extensively by the panellists.

I would like to hear your comments about whether Japanese Government assistance may possibly be put to use for military activities. Also a resolution of the Japanese Diet prohibits extending loans that may create disputes in the recipient country. For example, if there is a suppression of human rights in the recipient country, what do we do? To view this situation from a broader aspect, although the country may not have disputes or conflicts, it may be spending a large amount of the national budget for defense or military use. In Japan, it has been decided that the ceiling for the defense budget should be within 1 percent of the overall Japanese budget.

How, then, are we to consider the ethical aspects of assistance? How are we to deal with a country possessing nuclear arms? These moralistic or ethical issues, of course, need to be fully debated first of all by the general public of Japan. However, this symposium offers a rare opportunity to include the participation of foreign delegates, so if you have any comments on the moralistic or ethical aspects of assistance, I would appreciate them very much.

HIRONO: I think that it is a very important question. Would anyone like to respond to this question? Mr. Oshima spoke particularly about those from outside of Japan. So, Nigel, would you like to respond?

HOLLOWAY: I would like to make one particular comment. From my point of view, Japan's record on ODA's link to human rights has been somewhat disappointing. I am thinking of the case of Burma. This is not strictly a question of ODA, but rather a question of recognising the military regime. The military regime was recognised earlier this year, and although no new aid has been given to Burma, the existing aid projects are continuing, albeit on a lower level of activity simply because the country is still in considerable turmoil.

I know that some European countries wanted to raise the issue of human rights at a meeting — I think it was in Geneva — but I was told they did not receive the support of the Japanese Government at that meeting.

This reflects the general point that I would like to make, that Japan does have a pretty hard-headed attitude towards the human rights' question throughout the world, not just in places like Burma. If they were to take a stronger stand on human rights, I think it would receive a considerable degree of support from Western countries. Japan sometimes regards itself as a part of the West, whereas at other times it does not. On this question of human rights, Japan tends to sort of fall somewhere in between West and East, if you like. I do not really like to use those terms, but am doing so here as a kind of shorthand.

On the question of ODA, it is extremely important to stress that Japan really does not tend to parade an altruistic attitude towards aid. I think that that is perfectly acceptable because there is a great deal of hypocrisy in the West about aid. It is dressed up for altruistic purposes, but has reasons just as selfish, if you like to put it that way, as aid from a country such as Japan.

HIRONO: Thank you very much. Dr. Botchwey, would you like to add anything?

BOTCHWEY: Very briefly, Mr. Chairman. I do not have any difficulty with the position that official development assistance should be given humanistically. We have enough need for social efforts, and we do not use some of these efforts properly. We have our own moral standards, and we believe it is immoral to use funds like that.

As far as human rights are concerned, I am afraid I have a different concern about this. I worry a bit about the way aid is tied to human rights, since the definition of human rights gets very confusing. Once you start going that way, it is a very slippery slope and provides opening for interference in the countries concerned, which may not always be principled. Even where these are flagrant abuses of human rights — and we all do share a consensus about human rights — I think that even in those circumstances, the ODA flow should be maintained, so as to provide an opening for dialogue with the countries concerned, with a view of getting some improvement.

But aid in circumstances which close the door to any kind of dialogue, and which may even create opportunities for unprincipled use of the ODA facilities, may not be in the long-term interests of bilateral relations, or even of human rights in the country concerned.

HIRONO: Thank you. Are there any more questions?

QUESTION: I am Uchida from IDC. Dr. Botchwey, in your speech you suggested that Japan should demonstrate more commitment to African countries, especially Sub-Saharan countries conducting structural adjustments. My question is about structural adjustments. I agree that, to reduce institutional barriers and dismantle institutions, structural adjustments should be promoted in Sub-Saharan areas. But I also think that a lot of structural adjustment programmes create adverse effects. Some friction or adverse affects could be considered just transitional, but others are not necessarily that simple. If so, what sort of programmes or systems would be needed to reduce side effects in the process of dismantling institutional barriers to promote development?

BOTCHWEY: I think that that is an important question. Structural adjustment, indeed, entails a lot of social costs and high-tech in the short run, and even in the long run, for these adjustments may affect the long run. We believe that the best way to alleviate this pain, to alleviate poverty on a sustainable basis, is to promote employment, to create jobs so that people will earn a living and live their own lives.

But, in the short run, the best way of alleviating the social costs is to undertake a set of short-term intervention programmes and projects that are labour intensive, that would alleviate the suffering of vulnerable groups, nursing mothers, urban unemployed, etc.

We are carrying out programmes of that sort with help from the UNDP. We refer to it by a rather odious acronym PAMSCOA, the Programme of Actions to Mitigate the Social Cost of Adjustment. This is made up of a number of programmes that are labour-intensive, including public works, road construction, schools, refurbishing clinics, sinking wells, providing water to a fairly vulnerable group, and providing work tools for displaced workers from the civil service. When a man is redeployed, even if he has saved a lifetime of money he can squander it after a while, so he needs to be relocated. Japan is assisting in funding this particular project I am talking about. It is one way to alleviate social costs in the short run, but as I said, since we cannot maintain social-activity programmes like this on an extended basis, in the long run the best thing to do is to ensure adequate support for the main programme itself, so that over time it generates real employment, enabling people to earn some income and improve their lives on a sustainable basis.

HIRONO: Thank you, Dr. Botchwey. I suspect that there are more questions but unfortunately it is now past 5:30. It is time for a final summary. The discussion this

afternoon centreed on the three subjects I suggested to the four panellists. The discussion focussed on the question of what should be done to improve the ODA of Japan. I think there was a sort of consensus on the direction it should take. But as we saw in the course of the discussion, there were some misconceptions. I believe what is required here is to provide all those concerned with accurate information.

Japan should not only learn from overseas, but provide information as well. One of the points emphasised during the panel discussion was that ODA should support economic and social development and improve the human rights situation in the recipient countries. But this means that primary responsibility rests on the shoulders of the recipients, namely the developing countries. How best they can use the resources that they mobilise is up to them, and it is their responsibility.

Donors, Japan included, must work with governments, as well as the NGOs, in recipient countries. There is therefore a need for policy dialogue. There must be constant policy dialogue so that an efficient and appropriate use can be made of the ODA that is provided. Furthermore, the people of the recipient country must be involved in the implementation stage. The resources of the recipient country must also be put to use; if equipment is available locally, it must be made use of, so that in the process of providing ODA the development of the recipient country can be promoted and enhanced.

In the past, Japan concentrated its ODA efforts on improving infrastructure in developing countries, but there is greater necessity to fulfill basic human needs today, and it has been said that Japan should pay more attention to that area.

Obviously, we must reorient our direction in response to the needs and requirements of individual recipient countries. As mentioned earlier, it should be done on a case-by-case basis. In African countries, where the existing infrastructure is rather old, requiring massive renovation and improvement and where new infrastructure is needed, the previous pattern of Japan's ODA, in regard to infrastructure improvement, is still applicable. Other developing countries may need food aid, and still others require aid in science and technology. This means that the specific needs and requirements of the recipient countries must be addressed first.

We also discussed the need for not only bilateral assistance, but multilateral financing and co-financing as well.

In the case of Japan's ODA, the amount of ODA has grown very rapidly, while the basic human and organisational structure needed to support ODA activities has lagged behind. Consultants and other people must be involved to a greater extent. In Japan, human resources are not sufficiently available. We must therefore try to increase and enhance the availability of professionally trained manpower in Japan to help turn Japan's ODA activities in a more efficient and desirable direction.

Lastly, regarding Japan's efforts to make its ODA better and more appropriate,

something important was mentioned as lacking. As we approach the 1990s, Japan is expected to become the top donor. As seen in the case of the United Kingdom and the U.S.A., which actively participated in the establishment of the Bretton Woods system, we must become aware of our responsibility as the top donor of ODA, and address ourselves to the question of what the appropriate system of development assistance should be. We must have our own blueprint. Of course, this must be developed in cooperation with bilateral and multilateral aid institutions and recipient governments, as well as NGOs. The major question is what the appropriate direction and content of the global ODA should be in the future. In formulating these blueprints, it is now time for Japan to take a leadership role.

Ladies and gentlemen, this, I believe, very briefly summarises the discussion during this international symposium. Our guests in this symposium have come from a variety of foreign countries, except for Mr. Matsuura from Tokyo. I would like to express my sincere appreciation for their active participation and for sharing with us their frank views. I am certain that this has been a useful opportunity to enhance the ODA activities of Japan in the future. We would like to continue to receive your valuable advice and suggestions.

Mr. Holloway gave us journalistic insight, and I hope he will continue to criticise Japanese ODA because his thorny criticism can be very helpful to Japan. Mr. Matsuura is in charge of ODA in Japan. He is therefore in the position of translating some of the recommendations presented by the panellists and audience today on policy matters. In Japan, there is much expected of him in the future, but I hope he will continue to seriously address himself to the important question of Japan's role in global ODA so that the whole world, both donors and recipients alike, will really benefit from the ODA provided by Japan.

This symposium has been organised by JICA and OECF. I myself have just returned to Japan after a few years of duty overseas, and may not have been fully aware of the existing political complexities surrounding ODA in Japan, but it has indeed been my honour to serve as your chairman today. Thank you very much.

RECEPTION

This ceremony is to present awards to the winners of the International Cooperation Day Catch phrase Contest.

The award winning entries are as follows:
(provisional translations)

Special Prize:

"Can you sense the vitality of the world's five billion?"
by Ms. Tomoko SUNAGAWA (Student)

Runners-Up:

"International Cooperation — a bridge to the developing countries"
by Ms. Masue ITO (Housewife)
"One earth, one future"
by Mr. Toshimasa MATSUMOTO (Teacher)
"Let's give our support to those in our world trying so hard"
by Ms. Yumi MANNEN (Office clerk)

The contest was designed to stimulate a widespread interest and understanding of the world's developing nations and to publicise the importance and need for international cooperation.

The prize winning entries, which were selected from among 4024 entries across the country, will be used as slogans for campaign posters and various commemorative events during the coming year.