

**International Symposium in Commemoration of
“International Cooperation Day” — 1990**

on

**“Why raise the North-South problem again ?
Toward a new direction in development cooperation.”**



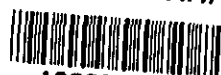
Japan International Cooperation Agency



The Overseas Economic Cooperation Fund

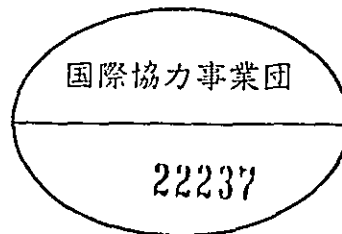
**International Symposium in Commemoration of
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on
“Why raise the North-South problem again?
— toward a new direction in development cooperation.”**

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Chiyoda-ku, Tokyo 100, Japan

Printed in Japan



Commemorative Speech: Mr. Masao Fujioka, Former President of the Asian Development Bank (ADB)



Commemorative Speech: Dr. Oscar Arias Sánchez, Former President of Costa Rica



Panel Discussion

CONTENTS

Outline of the Symposium	1
Opening Speech (Mr. Kensuke Yanagiya)	3
Opening Speech (Mr. Akira Nishigaki)	5
Greetings (Dr. Taro Nakayama)	7
Greetings (Mr. Hideyuki Aizawa)	10
Message (Mr. Toshiki Kaifu)	13
Commemorative Speeches	
Mr. Masao Fujioka	20
Dr. Oscar Arias Sánchez	33
Panel Discussion	
Theme, background, main points for discussion	43
Chairman, panelists	45
Panel discussion	48
Reception	
Award Ceremony for International Cooperation Catch-phrase Contest	88

OUTLINE OF THE SYMPOSIUM

On October 5, 1990, the Japan International Cooperation Agency and the Overseas Economic Cooperation Fund jointly sponsored the International Symposium in Commemoration of "International Cooperation Day"—1990 at Sankei Hall. "International Cooperation Day"(October 6) was established in 1987 to commemorate the same day in 1954, when Japan joined the Colombo Plan. The symposium was attended by some 360 participants including many journalists and staff members from aid agencies, not only in Japan, but also from many overseas countries.

Symposium Program

Theme:

- Why raise the North-South problem again?
- toward a new direction in development cooperation.

Session I (10:30 – 12:30) Opening and Commemorative Speeches

Opening Speeches:

- Mr. Kensuke Yanagiya, President of JICA
- Mr. Akira Nishigaki, President, Chairman of the Board, OECF

Greetings:

- Dr. Taro Nakayama, Minister of Foreign Affairs
(Delivered by Mr. Shoichi Kuriyama, Vice Minister, Ministry of Foreign Affairs)
- Mr. Hideyuki Aizawa, Minister of State for Economic Planning

Message:

- Mr. Toshiki Kaifu, Prime Minister
(Delivered by Mr. Tatsuo Arima, Chief Cabinet Counsellor on External Affairs)

Commemorative Speeches:

- Mr. Masao Fujioka, former President, Asian Development Bank (ADB)
- Dr. Oscar Arias Sánchez, former President of Costa Rica

Session II (14:00 – 17:30) Panel Discussion

Chairman:

- Dr. Sadako Ogata, Dean,
Faculty of Foreign Studies, Sophia University

Panelists:

- Mr. Ivan L. Head, President,
International Development Research Centre (IDRC) of Canada
- Ms. Buly O. Surjaatmadja, Deputy Chairman for Implementation and Monitoring,
National Development Planning Agency, Government of Indonesia

Dr. W.D. Lakshman, Professor of Economics,
Department of Economics, University of Colombo, Sri Lanka
Mr. George H. Radcliffe, Vice President,
CARE USA
Mr. Tamotsu Yamaguchi, Deputy President,
The Bank of Tokyo
Dr. Toshio Watanabe, Professor,
Tokyo Institute of Technology

Session III (18:00 – 20:00) Reception

Award Ceremony for the International Cooperation Catch-phrase 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
Sankei Shimbun

OPENING SPEECH



Mr. Kensuke Yanagiya
President of JICA

Since October 6 was designated International Cooperation Day three years ago, the Japan International Cooperation Agency and the Overseas Economic Cooperation Fund have joined annually together in sponsoring this symposium. As one of the representatives of the two organizing bodies, it gives me great pleasure to welcome so many of you here today.

It is well known that Japan became the world's largest donor of official development assistance in 1989 in terms of total amount of net disbursements. This was the result of a concerted effort to respond positively to the various needs of developing countries and to fulfill our international responsibility as an industrialized nation.

Despite the earnest endeavors of developing countries towards self-reliance and the assistance provided by Japan, other industrialized countries, and international organizations, the North-South issue remains as pressing as ever. Today, the world's eyes are on Japan in expectation of even more active cooperation.

When I reflect on the sudden developments of the past year, particularly the political revolutions in Eastern Europe and also the more recent Persian Gulf crisis, I cannot help but think that we have entered a transitional period. One senses that the global framework based on the balance of power between the superpowers, which

emerged at the end of the Second World War, has finally collapsed and that we stand at the dawn of a new international order.

These developments present us with the opportunity to tackle the grave global problems before us—poverty, food shortages, population growth, the energy crisis, and the destruction of the environment—as issues which transcend the problems of East-West relations or political ideology.

Today, the gap between North and South still remains wide. The reality that one billion people out of the world's total population of five billion suffer from absolute poverty makes us realize that the North-South problem is an issue of global importance. As we move toward the twenty-first century and witness the historical emergence of a new global framework, it is clear that today's situation can only be overcome if both developing and industrialized countries immediately work together to pool their collective knowledge and energies. The universal significance of this problem underlines its selection as this year's theme—"Why raise the North-South problem again?"

It gives me great honor and pleasure to welcome two distinguished gentlemen as our guest speakers: Dr. Oscar Arias Sánchez, the 1987 recipient of the Nobel Peace Prize and the former President of Costa Rica, and Mr. Masao Fujioka, the former President of the Asian Development Bank. As the theme suggests, today's symposium has been planned to seek ways to implement more effective and efficient international development cooperation. We are honored to welcome the participation of many experts on this issue from both Japan and abroad.

It is my sincere hope that a frank exchange of views and a lively discussion among all participants here today will contribute to fruitful results in future endeavors and that this symposium will help to broaden the understanding and the support of the Japanese people regarding international cooperation.

Finally, I would like to express my sincere gratitude to those whose kind efforts made this symposium possible.

OPENING SPEECH

Mr. Akira Nishigaki
President,
Chairman of the Board,
OECF



I would like to begin by expressing my sincere thanks to all of you here for your participation in today's international symposium.

On October 6, 1954, exactly 36 years ago, Japan took its first step in international cooperation and participated in a project called the Colombo Plan. Over the years, as our own economy continued to recover, we have gradually increased the level of ODA. Last year, Japan's ODA totalled \$8.96 billion, surpassing even that of the United States and making Japan the top ODA donor nation. Three years ago, to express our commitment to overseas assistance and to create a greater understanding among the Japanese people, the Japanese government designated October 6 as International Cooperation Day.

This symposium, too, was organized in commemoration of the day and is sponsored by two Japanese bilateral assistance organizations—the Japan International Cooperation Agency (JICA) and the Overseas Economic Cooperation Fund (OECS). It gives me great pleasure to welcome you here to the third international symposium.

In today's world, developing and developed nations are becoming increasingly more interdependent. In order to attain harmonized development and growth of the global economy, the developed countries need to stimulate their economies. Equally essential, however, is "sustainable development" of developing countries, to be achieved by the self-help efforts of the developing countries. Furthermore, development needs of recent years have become more diverse. Together with economic restructuring,

cumulative debts, and environmental considerations, aid for the Middle East and for the democratization of Eastern Europe have emerged as new areas requiring our attention.

In this new era of interdependence, economic assistance, in particular ODA, has become an important way that Japan, the world's largest supplier of capital, can contribute to maintaining worldwide peace and prosperity. Moreover, Japan must display leadership appropriate to its position as the largest donor country by creating responsible assistance programs. We must fulfill our role as a member of the international community and endeavor to contribute more effective and efficient ODA, assistance that responds to both needs in Japan and overseas.

Effective cooperation with developing countries is, of course, necessary for our assistance to bear fruit. It is also important, however, to contribute as part of an overall global effort, based on an understanding of the assistance programs of other developed nations and international organizations. Our efforts should not remain the domain of Japanese governmental bodies alone. The scope of our activities should be broadened to include collaboration with the Japanese private sector and NGOs.

Today's symposium will reassess the North-South problem and discuss the new situation regarding international cooperation and assistance, in the light of the new global environment of the 1990s. We are honored to have the opportunity to hear a broad range of views from many distinguished guest speakers from both Japan and abroad, and we hope that there will be a frank exchange of views. Your participation here today is a valuable contribution to our future activities.

Let me conclude by welcoming you once again to today's symposium and I trust that it will provide an opportunity for us to reflect on Japan's role in international cooperation.

GREETINGS



Dr. Taro Nakayama
Minister for Foreign Affairs
(Delivered by Mr. Shoichi Kuriyama,
Administrative Vice-Minister for Foreign Affairs)

It gives me great pleasure to welcome you to the 1990 international symposium in commemoration of International Cooperation Day, cosponsored by the Japan International Cooperation Agency and the Overseas Economic Cooperation Fund. I wish to express my sincere appreciation to the many distinguished guests and participants who have journeyed here from various parts of Japan and abroad.

As yet, no significant move has been made toward a solution to the North-South problem. Many developing countries are not only not showing signs of improvement but in fact appear to be regressing. It is vital, therefore, not only from a humane point of view but from the perspective of global interdependence that we endeavor to contribute towards solving the problems faced by these developing countries. For Japan, which has the second strongest economy in the world and now plays a major role in the global arena, this has become a part of our international responsibility.

Although Japan has become an economic power, the resolve to abstain from becoming a military power remains as firm as ever. In this regard, it is most appropriate for Japan to continue our modest contribution through suitable forms of economic cooperation to help build a more peaceful and prosperous global society.

Recently Japan joined the United States as one of the world's largest donors of Official Development Assistance (ODA) in terms of value. We must ensure that these efforts continue to improve not only quantitatively but qualitatively as well. It is vital for us to contribute to the development of cohesive, responsive, and flexible

forms of assistance which adequately match the public welfare, economic, and social needs of developing countries.

In recent years, the world's developmental needs have diversified. In addition to existing problems, monumental global issues concerning the environment, drug usage, and population growth must now be tackled through the cooperative efforts of industrialized nations and developing countries.

Let me turn to the question of target regions. To date, Japan's ODA has focused on countries within Asia and this trend is not expected to change in the immediate future. Since many of these countries, however, have already achieved substantial growth, official assistance in the long term should gradually shift to private cooperation in some cases. Recent discussions have turned to the urgent need for policies prioritizing sub-Saharan African countries, which have been experiencing chronic economic stagnation. Japan's response has been to increase grant aid especially to the least developed countries of Asia and Africa in an effort to alleviate the problems of poverty in developing countries.

The phrase "cooperation for development" implies a concerted effort on the part of both donor and recipient countries. In considering our fundamental position to support developing countries' efforts to help themselves, we, as outsiders, need to conduct more in-depth discussions with recipient countries and strive for increased efficiency.

The social and economic needs of developing countries are extremely complex and diverse. Effective assistance calls for accurate surveys and analyses of the target country's existing social and economic structures and requirements. Real success can be achieved only when we are able to identify and formulate projects of promise and quality.

In order to respond to this need as well as to improve the efficiency and effectiveness of our cooperative efforts, Japan must develop human resources capable of serving at the international level. The Ministry for Foreign Affairs has begun to reevaluate its policies in this area and has allocated funds in the 1990 budget for human resources development. This effort centers on the concept of an International Development University.

The Japan International Cooperation Agency is expanding its activities in recruiting and training technical cooperation experts. In an effort to recruit talented experts from various fields, we are seeking greater cooperation from Japanese companies in order to utilize the wealth of expertise and technical skills fostered by the private sector.

I feel certain that the exchange of views and interchanges resulting from today's symposium will provide food for thought to people both in the private and public sectors who are employed in assistance programs. I look forward especially to valuable

suggestions concerning Japan's future assistance efforts.

In closing, I thank you all for your participation here today and sincerely wish the conference every success.

GREETINGS



Mr. Hideyuki Aizawa
Minister of State for Economic Planning

I am greatly honored to be able to offer some welcoming remarks at today's International Cooperation Day symposium. Let me begin by offering my sincere thanks to all those who have gathered, some from abroad, to attend this event.

Over the years I have always had a strong interest in and have worked personally towards international cooperation, not only through my current capacity as Director General of the Economic Planning Agency, but also through my other activities as a politician. I have, for instance, cooperated in the implementation of nurse training programs for overseas trainees as a Director General of the International Nursing Foundation of Japan.

Through such involvement I have become especially aware of the significance of human resources development in international cooperation. Japan has been able to assist developing countries which have already reached a certain level of technical expertise by gathering together trainees from neighboring regions for training programs. This activity, known as third country training, deserves further review and development in future programs.

I sincerely hope today's symposium will stimulate a meaningful, wide-ranging debate on the future shape of economic cooperation.

Let us take a brief look at the state of recent world affairs. The Soviet Union and Eastern Europe have moved toward becoming more democratic with free market economies, and the East and West, after a period of confrontation beginning after

World War II, are now seeking reconciliation. These events, together with the unification of Germany on October 3, symbolize a dramatic shift in the postwar global framework.

Running counter to these positive developments, Iraq invaded Kuwait on August 2. This act has posed a serious threat to world peace, and I believe that the global community must unite in an effort to reestablish peace.

It is evident that such developments as the Persian Gulf conflict have introduced some volatility to recent domestic and overseas economic trends. Japan's economy, however, continues to expand, accelerated by strong domestic demand, while the world economy is maintaining the steady growth it has experienced since 1983.

The economies of the developing countries as a whole are also displaying high rates of growth. This, however, does not apply to all. While some countries and regions have achieved steady growth, others are experiencing difficulties for a variety of reasons, a reflection of substantial differences in circumstances surrounding economic development among these countries.

The ASEAN countries, for example, experienced a high rate of growth through the sharp increase of direct foreign investment and the expansion of exports. Although troubled by stagnating exports caused by stronger currencies and higher domestic wages, the economies of the Asian NIEs were also sustained by the growth of investment and buoyant domestic consumption fueled by wage increases. At the other extreme, economic depression in Latin America, which began around 1981, continued to worsen with increasing inflation and snowballing foreign debts. Furthermore, the issue of poverty, particularly in Africa, remains critical.

Today, when global interdependence is more relevant than ever before, the sustainable development of developing countries is vital for the prosperity of the world economy as a whole. Efforts must be made to promote cooperation between the industrialized nations and developing nations. Japan, as a leading world economic power, must strive actively to help developing countries gain economic independence through the provision of economic cooperation.

Japan has on four occasions established medium-term targets which have sought not only to increase the volume of its ODA but to also improve the quality of its programs. As of last year, Japan consequently became the world's largest donor country. In regard to the quality of aid, we are working actively towards effecting economic cooperation suited to the diverse and complex needs of various developing countries.

In April 1990, the Economic Planning Agency established the Advisory Committee on Economic Cooperation Policies. This body calls on experts to examine the fundamentals of economic cooperation policies. An interim report on its deliberations was released last month. Focusing on the principles of economic

cooperation, the report outlined the direction of Japan's economic cooperation for the 1990s.

Today's symposium will examine the significance of international cooperation in regard to the North-South problem. One particularly significant aspect of this issue relates to the shape development should take in the 1990s. I sincerely hope that this symposium stimulates a lively exchange regarding Japan's future role in economic cooperation and regarding suggestions for the types of policies that should be implemented in establishing new cooperative relationships with developing countries. The Economic Planning Agency will give careful consideration to the outcome of today's discussions in realizing future economic cooperation efforts.

Let me conclude by wishing you all the best of health and happiness and a most successful symposium.

MESSAGE

Mr. Toshiki Kaifu
Prime Minister
(Delivered by Mr. Tatsuo Arima,
Chief Cabinet Councilor on External Affairs)



It is a great pleasure and honor for me to be able to offer some words of welcome to the distinguished guests both from Japan and abroad who are attending today's International Cooperation Day symposium, cosponsored by Japan's major aid organizations, the Japan International Cooperation Agency and the Overseas Economic Cooperation Fund.

Shortly after the end of the Second World War, on October 6, 1954, Japan became a signatory to the Colombo Plan. This marked our quiet entrance to the arena of international development cooperation.

Today, over three decades after this formal commitment, efforts made by the Japanese people have resulted in Japan's development as an economic world power. In terms of value, Japan became the world's largest donor of ODA last year. Our responsibility to respond to the call of countries around the globe facing extreme economic difficulties has become enormous. It is essential for Japan not only to increase the quantity of its aid but also to improve the quality of its aid program.

Having experienced an extended period of economic expansion, 1990 became a significant year in the history of Japanese development assistance for several reasons.

The first was the final repayment of a more than \$800 million loan borrowed from the World Bank for postwar reconstruction in Japan. This loan was fully repaid in July of this year. Although Japan differs in history and culture from Europe and the United States, the nation has successfully transformed itself from a developing

to an industrialized nation. This can serve as one model of economic development for the developing countries of today.

Secondly, since it joined the Colombo Plan in 1954, Japan has been lending a hand to developing countries who have been striving to help themselves. This year, our neighbor, South Korea, completely repayed a yen loan received from Japan. Recent years have witnessed rapid progress in the development of Asian nations, and it is gratifying that Japan's long-term economic and technical cooperation is contributing to this process.

Thirdly, the Japan Overseas Cooperation Volunteers (JOCV), a foundation which I helped establish, celebrated its twenty-fifth year this year. Over the years, more than 10,000 young people have engaged in technical cooperative activities in developing countries. The human contacts developed by these young volunteers have been integral in promoting technology transfer; these and other efforts have been greatly appreciated both at home and abroad.

The development of human resources is the basis of all development, and I believe that activities of the JOCV—as well as sending experts abroad and inviting students and trainees of developing countries to study in Japan—will become an even more crucial element of Japan's international cooperation.

With the world today beginning to thaw from a lengthy cold war, we are now entering an era where East-West discussions are increasingly possible. In these times of change, with the Gulf crisis forced to the fore by Iraq's invasion and annexation of Kuwait, the world has been compelled to consider and to adapt to a new set of circumstances.

The world has been struggling to solve the North-South problem since the 1960s. Unfortunately, reports on the present situation of developing countries do not always bring good news; debts are accumulating and the problem of absolute poverty is worsening. The future growth of a healthy global economy hinges directly on successfully overcoming these problems. The 1990s is a decade in which both developing and industrialized nations alike must work together to overcome, not simply the North-South problem, but issues which influence the future balance of the entire globe, particularly those relating to the environment, the drug situation, and population growth.

Japan's economy currently accounts for more than 10 percent of the world's GNP. It is therefore essential that we fulfill our role in helping to maintain the stability and growth of the world economy. Japan is now doing what it can to actively promote an International Cooperation Initiative which consists of three fundamental policies: cooperation for peace, increased ODA, and more extensive international cultural exchanges. We are also placing emphasis on assistance to developing countries, given that they support over three quarters of the world's population.

The entry of the final decade of the twentieth century is an opportune moment for Japan, the world's largest donor nation, to reflect on the nature of its development assistance over the past 36 years and to consider the nature of its international cooperation activities.

I thank you for the opportunity to extend a few words at today's symposium. It is my sincere hope that today's discussions will highlight ways in which Japan can more effectively and efficiently implement development cooperation. Once again, thank you for your participation.

. COMMEMORATIVE SPEECHES

COMMEMORATIVE SPEECHES



MR. MASAO FUJIOKA

Born in 1924. Mr. Fujioka is the former President of the Asian Development Bank and has published several books on finance, including *Finance and Economy in the Asia-Pacific Era*. He joined the Ministry of Finance shortly after graduating from the Law Department of Tokyo University in 1947. After continuing his study of finance for two years at the University of Chicago from 1950, Mr. Fujioka received a temporary transfer to the IMF in 1960, where he served for four years. In 1966, he was appointed Director of Administration of the Asian Development Bank. From 1970 to 1977, he served as Deputy Director, and then Director General, of the International Finance Bureau, Ministry of Finance, after which he was made Executive Director of the Export-Import Bank of Japan. In 1981, he was appointed President of the Asian Development Bank, where he remained until November 1989. In August 1988, the Asian Institute of Technology, Bangkok, awarded him the Honorary Doctorate of Technology. Today, Mr. Fujioka is the President of the Japan Credit Rating Agency, Ltd., a position he was appointed to in June 1990.



DR. OSCAR ARIAS SÁNCHEZ

Born in 1940. Dr. Sánchez is former President of the Republic of Costa Rica. From 1961 to 1967, he studied law and economics at the University of Costa Rica. He then pursued post graduate studies at the London School of Economics where he was awarded master's degrees in political science and economics in 1969. Subsequently he returned to teach political science at his alma mater. He also served as Economic Adviser to the President of Costa Rica before becoming Minister of National Planning and Economic Policy in 1972. Dr. Sánchez was awarded a doctorate in political science from the University of Essex in 1974. He was elected President of the Republic of Costa Rica in 1986 and served in that post until May 1990. In 1987 he was awarded the Nobel Peace Prize and the following year established the Arias Foundation for Peace and Human Progress. Dr. Sánchez is the author of numerous publications including *Peace for Central America*.

COMMEMORATIVE SPEECH



Mr. Masao Fujioka
Former President
Asian Development Bank

First, I want you to know how delighted I am to have this opportunity to address you on such an auspicious occasion as International Cooperation Day.

As you may know, through the 1960s and 1970s I served posts in the Ministry of Finance, the Overseas Economic Cooperation Fund (OECF), the Export-Import Bank of Japan, and the Japan International Cooperation Agency (JICA). These positions instilled in me a Japanese perspective of foreign aid and international cooperative undertakings. Thereafter, however, for most of the period from 1981 to 1989, I served as president of the Asian Development Bank in Manila, an experience that helped to give me a more internationalized outlook on programs of economic assistance. Today, I would like to discuss the future of international cooperation and development, drawing on my experiences in the field.

We have already heard today that Japan is now the world's largest donor for official development assistance. While this accomplishment is in itself certainly commendable, I should add that Japan's history of involvement in the arena of international economic aid has nevertheless been comparatively short. For quite some time following World War II, Japan was itself highly dependent on credit from the World Bank and other institutions to finance its own economic development. To be sure, Japan did not enter full stride as a donor of aid to the developing world until the early 1960s, when it set up the Overseas Economic Cooperation Fund. Japan's stature grew further with the establishment of the Asian Development Bank (ADB), a

regional international organization, in the mid-1960s. As one of the leading sponsors together with the United States, its role has been important enough that Japanese officials have also served as ADB governors.

With the debut of JICA in the 1970s, Japanese economic aid grew in both scope and depth. Today, it is indeed the case that Japan has become the world's largest ODA donor. But admittedly, during the 1960s and 1970s, its efforts in the field did not always meet with approval. While Japan has steadily expanded its ODA contribution year on year, its economic growth has been so impressive that as a percentage of GNP, the scale of its annual ODA contribution seems to have escaped notice. Moreover, despite having grown in sheer volume, the underlying quality of Japanese ODA often leaves much to be desired. More specifically, the nation's aid programs have often been criticized as strategies designed to improve Japanese access to low-cost raw materials, or, as being tied assistance or not offering enough in outright grants-in-aid.

However, I believe the 1980s have witnessed steadily growing international acclaim for Japanese efforts in overseas economic assistance. At the beginning of the decade, ADB deliberations on loan projects typically discussed USAID. By the mid-1980s, however, ADB documentation seemed to suggest a shift in focus away from USAID, in turn spotlighting Japan's position as the top donor of aid capital to most developing nations of the region. Indeed, by the late 1980s, much of the debate in the ADB dealt specifically with topics in Japanese aid: for example, where OECF loans were going, where ADB loans should be focused in response, or in what areas the decision to provide loans should wait for the findings of JICA studies.

The demands of my job as an ADB representative have carried me to just about every country one can travel to, and sum up to as many as five times. In the early eighties, senior officials virtually everywhere I went were certain to emphasize their nation's desire for ADB assistance. By the late 1980s, especially on my visits to smaller nations of the region, more and more officials looked at me and immediately expressed their appreciation for the extensive economic assistance Japan had been providing their nation. Then, as if suddenly remembering why I was there, they would quickly add that the ADB had also been helpful. I suppose this may be attributable to my altogether Japanese complexion. In Thailand recently I was treated to the compliment that the ADB had become more helpful than even the World Bank. But to that, the speaker then added that Japanese aid was even better!

I suppose there are quite a few among you who are convinced that Japanese foreign aid remains either insufficient or unappreciated. I would have to say, however, that foreign impressions about Japanese aid have improved significantly through the past decade.

Needless to say, that improvement has come in an atmosphere marked by

extensive structural change in the global economy, but more importantly, at a time when the yen has shot up in value against other leading world currencies. Chiefly as an outcome of this latter development, many Japanese firms have set out to establish new manufacturing bases overseas. Also, the stronger yen, an economy increasingly driven by domestic demand, and concerted efforts to improve market access have together encouraged a widening flow of finished-product imports into Japan. For its part, the Japanese government has adopted a policy designed to utilize part of the surplus in the nation's international balance of payments to help finance economic growth in the developing world. The financial aid generated under that program reached \$30 billion in scale from 1987 to 1989 and is expected to total some \$65 billion by 1991. No less significant have been Japanese efforts in the last few years to double ODA spending and provide up to \$50 billion over the next five years.

To tell you the truth, when Japan first introduced its program to rechannel part of the trade surplus into spending for ODA, I was left somewhat concerned. For several years now, Japan has sought to trim its current account surplus in an earnest bid to satisfy the demands of its key trading partners. What worried me about the government's recycling scheme was that some in the international business community might see it simply as a tactic designed to substitute for genuine surplus-cutting initiatives. But in reality, we viewed it rather as a meaningful alternative that would help put a substantial amount of Japanese funds to work for the developing world in the event that little progress was made in shrinking the surplus despite the nation's best efforts. As such, the program has proven quite effective.

I should point out, however, that two specific factors have helped to account for the program's success. First, it was initiated at a time when Japan had decided to untie the conditional strings formerly attached to its offerings of economic assistance. In years gone by, many countries suspected that Japanese aid was intended principally to boost the exports or earnings of Japanese firms. I believe that Japan's decisive move to untie its foreign aid has been a significant contributing factor to the success of the surplus recycling scheme.

As to the other contributing factor, Japan has provided aid under the scheme through international organizations and institutions. Essentially, funds are used to purchase World Bank bonds in the Japanese capital market or to make loans to developing countries in collaboration with the World Bank or the ADB. Some non-Japanese have voiced their concern that this recycling of the Japanese current surplus might in effect be an attempt to dominate countries that are not as economically or financially well off as Japan. In response, however, I would contend that providing funds through these international institutions and within the limits that they have set should serve instead to generate a sense of relief. Not only that, but even on occasions when the ADB has received special Japanese funds under the surplus

recycling scheme, their appropriation has in every instance been established in line with ADB guidelines.

I believe that Japan's efforts in economic assistance are meeting with increasing international acceptance. Saying that, however, I am also aware that it will be immensely difficult for Japan to ensure that its aid policies continue to find such approval. Indeed, unless it is careful, its policies could again very well lose favor in the international community.

At this point, I would like to shift my discussion to cover some aspects of the North-South issue during the 1980s, the change in international attitudes about foreign aid, and the approach Japan is likely to take in the years ahead.

As you know, the 1980s were by no means an economically stable decade for the developing nations. In fact, the global recession of the early 1980s was exceeded in length and severity only by the Great Depression of the 1930s. And unsurprisingly, it had a much deeper impact on the developing world than on the advanced industrialized economies. The recession effectively pulled the rug out from under prices for primary industrial products, with no indication of a recovery in sight. For countries that depended on exports of primary goods, this was a brutal blow. To be sure, the financial crisis that hit Mexico and other nations of Central and South America stemmed from this development, and has confronted us with an accumulated debt issue the scale of which remains enormous even today.

The financial crisis that struck Mexico in the fall of 1982 became the key topic on the agenda of the general IMF meeting that convened almost immediately thereafter in Toronto. My own impression at the time was that if the crisis extended to Asia, the consequences could be particularly disastrous. Once a nation becomes financially insolvent, recovery can be expected to come only after several years of suffering that typically see standards of living nose-dive. Figures on hand today show that in 1981, just before the crisis set in, Mexico's per-capita gross domestic product stood at about \$3,000. By 1987, it had contracted to some \$1,800, a 40-percent decline. By comparison, in South Korea, which succeeded in avoiding a similar debt crisis, the \$1,800 per-capita GDP of 1981 actually expanded by half, to about \$2,700 in 1987.

In any event, I felt it imperative to persuade Asian countries to take steps to avert their own financial collapse even if austerity measures they took meant an inevitable period of suffering and sacrifice. The first country I became concerned about in this context was the Philippines. Upon returning to Japan from the IMF gathering in Toronto, I immediately broached the issue with Cesar E.A. Virata, who then served both as the Philippines' prime minister and minister of finance. Manila, however, was somewhat slow to implement needed belt-tightening measures. That, coupled with the political turmoil also then plaguing the country, eventually handed the Philippines its own debt crisis. Since then, however, the nation's GNP has been

climbing and it is now receiving aid from Japan and the IMF. Fortunately, other countries in the Asian region managed to avoid similar financial difficulties.

So, as these developments should indicate, in general the 1980s were by no means a pleasant decade for the developing world. In effect, most muddled through without showing any significant progress in their efforts to eradicate poverty. On top of that, they are now saddled with a range of acute new problems, including environmental issues and the role of women in strategies for national economic development.

Admittedly, though, the 1980s did not witness economic suffering everywhere: in contrast to Latin America, the Asian nations as a group posted outstanding performance in the management and growth of their economies.

In 1988, the Inter-American Development Bank and the Asian Development Bank jointly sponsored a symposium at the East-West Center in Honolulu to address the causes underlying the divergent economic trends characterizing Asia and Latin America. Their findings were extremely instructive. First, it was noted that although Latin American countries were on average further developed industrially than their Asian counterparts, they were at the same time dependent on exports of coffee, raw minerals, and other primary goods to generate up to 80 percent of their foreign-currency revenues. When the recession of the early 1980s pulled the bottom out from under prices for primary products, the foreign-currency incomes of these countries dropped proportionately, damaging their international balance-of-payments positions in turn.

Second, to compensate for their depressed export earnings, nations in Central and South America turned to borrowing. Had that money been used to finance the productive sectors of their economies, perhaps the consequences would not have been so disastrous. Instead, however, they used the borrowed funds to stabilize their currencies and in various other non-productive ways. Ultimately, they had to borrow more to pay back earlier loans.

By contrast, the majority of Asian economies acted quickly to impose austerity measures; some devalued their national currencies, some slashed budgetary spending, and others imposed tighter monetary policy. Some even moved to cut dependence on foreign credit. Thailand, for instance, tightened its monetary policy, set a \$1 billion ceiling on foreign credit and refused to accept more from the World Bank or the ADB even when offered as funding for promising domestic development projects. Policies such as these were no doubt a decisive contributing factor to the success many Asian nations scored in averting financial difficulty and posting stable economic growth.

Third, though industrialization had made greater strides in the nations of Latin America, it had done so in an extremely protectionist environment. Governments of the region typically nurtured import-substitute industries in a protectionist cradle and established trade tariffs and other measures designed to ensure them virtual

monopoly control over their respective markets. Naturally, the international competitiveness of Latin American firms stood only to lose as a result. In stark contrast, albeit not the prevailing strategy, some Asian countries actually imposed policies early on to expose their industries to greater outside competition in the global market.

Fourth, inflation spiraled throughout Latin America; in one nation it reached an annual rate of 130 percent and elsewhere climbed even higher. The damage induced by such high inflation was both economic and societal in scope; it encouraged the misappropriation of resources, inefficiency, ever-widening disparities among the average incomes of different social classes, and a general decline in industrial motivations to produce and individual motivations to work. To be sure, the recession of the 1980s pushed inflation up in Asia too; for some it reached 10 percent or even a few percentage points higher. Fears about the impact of double-digit inflation growth, however, encouraged most Asian nations to try and hold inflation down.

These differences that I have just cited are what the Honolulu conference uncovered in addressing the different approaches that Asian and Latin American countries chose to help them cope with the last global recession. It is interesting in this comparison to see how different government policies can alter the outcome of a nation's economic development. Having said that, however, I should also point out that not all of Asia's economies managed to pass through the 1980s relatively unscathed.

On that note, I would like now to discuss another topic, the emergence of an altogether Asian dimension to the North-South issue, or the widening gap between the growing economies of Asia and its less-developed regions. Of the economies that have in recent years shown favorable growth, you have the so-called newly industrializing economies, that is, the NIEs or Asian tigers; their ranks include Taiwan, South Korea, Singapore, and Hong Kong. Next in line we have what I like to call the quasi-NIEs: Thailand, Malaysia, Indonesia, and the Philippines. In general, however, the nations of south Asia have not done so well economically. Moreover, the recession and other economic pressures of the 1980s further widened the gap in living standards and incomes among the prospering economies and not-so-lucky regions of Asia.

Though the NIEs began to gain prominence in the 1960s, in 1965 their per-capita GDP averaged \$200. Still, that figure was double the average \$100 figure for the economies of south Asia. The comparable data for 1988 show annual per-capita GDP averaging \$5,000 in the NIEs as opposed to only \$330 in the south Asian economies. As those figures suggest, a span of 23 years had widened the disparity from twofold to almost fifteenfold. One should note, however, in trying to understand this outcome, that the NIEs did not enjoy an advantage in resources; nor was it the case that assistance to the countries of south Asia had been insubstantial. The key

explanation seems to be that the NIEs established outward-looking trading policies in the 1960s, encouraging the manufacture of products for export and managing their domestic economies on free-market principles.

Today, as we leave the decade of the eighties behind, the Soviet Union and the countries of Eastern Europe are rushing to build their own free-market economic systems. Perhaps they have chosen that course partly out of belated recognition for the accomplishments it has engendered in the NIEs. It is precisely this embracing of free-market principles that has enabled the NIEs to post their steadily widening economic gains compared to their south Asian counterparts. More importantly, it is a factor that I believe will be given close attention in future efforts involving overseas development cooperation.

Following developments of the 1960s and thereafter, attitudes about international economic assistance had shifted significantly by the 1980s. Even before that shift, an air of resignation about the seeming futility of economic assistance had characterized mainstream attitudes in the United States and many other advanced nations. Not only that, but growing concerns about the financial health of their own economies served to dampen the enthusiasm about foreign aid that characterized perspectives in the 1950s and 1960s. This phenomenon, which I like to call "aid fatigue," grew all the more conspicuous in the 1980s.

Given these circumstances, it is particularly fortunate that Japan has maintained its enthusiasm about foreign aid. The "aid fatigue" syndrome would, however, seem to demand that we do more than provide money for development projects. Indeed, donor nations may need to urge developing nations to revise their economic policies and to promote "institution building" that will lead to more suitable policies. Another position now gaining international currency is that rather than rely on the largely inefficient practice of offering aid only to the governments of recipient nations, it would be better to concentrate on stimulating and utilizing their private sector.

Both of these emerging positions seem fundamentally sound. And as long as efforts are made to proceed cautiously, Japan too should give them serious consideration. Having recognized the futility so often characterizing aid efforts that try to stimulate economic development through loans alone, I joined the ADB hoping to augment loans with useful and effective economic assistance in the form of technical expertise and information. After all, improperly applied, a \$1 million loan could easily have results worth only half that much, or worse. The ADB's interest has thus been to instead provide aid with results ultimately worth much more than the loan's face value precisely because it has been effectively and intelligently applied. So I sought to turn the ADB into a development resource center with top authority in mapping development strategy for Asia.

In practice, whenever loans are under study, the ADB holds close policy

consultations with officials of the prospective recipient nation. Donors on occasion grow concerned as to whether and when a loan is going to be paid back; for instance, having helped finance the construction of an electric power plant, they may grow worried if the borrower decides to keep electric utility rates relatively low. True, this is only one example, but the point I stressed while at the ADB was that consultations on policy are crucial to ensuring that a project ends in success.

Also, given that policymakers too are only human, and in light of the need for professional human resources development in the foreign aid field, the ADB decided to establish its own Development Round Table. Comprised of 17 participants from the developing world and three representing industrialized countries, this weeklong gathering brings together leading authorities for in-depth discussions on a range of important development issues. It may be interesting to note here that from the developing nations the ADB purposely chose to invite vice-director-level government officials. Many developing Asian countries typically promote vice-directors to full directorship posts within two to three years. And within a few more, it is common for directors to assume vice-ministerial posts or even become ministers of their respective agencies. The perspective drawn here is that vice-director-level officials, by taking part in the round table, will develop the insights and understanding that will help them set government policy at home on the right track when they are in a position to do so.

The round table has been quite successful and continues to convene. Since I retired, I understand they have already held the eighth such conference.

I should add that the ADB is also encouraging substantive dialogue between its officials and ministerial authorities in charge of mapping out economic policy in recipient nations.

Yet another vital means of applying economic aid effectively is that of drawing on the strengths of a recipient nation's private sector, a fact that personal experience in Japan taught me. By utilizing the private sector, the donor of aid is often able to substantially shorten the recipient's path to economic advance. Besides, one cannot be very dependent on the public sector in an age when many nations are experiencing financial difficulties and government budgets are running in the red. We might remember, and certainly this has been the case for Japan, that creative impulses in the private sector often provide the key stimulus to a nation's economic growth. In recognition of that role, the ADB in 1983 began supplementing its loans to developing nations with direct investments in their private sectors. Later, in 1986, it began offering loans to private firms even in the absence of guarantees by their governments. With these new undertakings, the ADB then set up its own internal private-sector division in hopes of wielding an even larger external influence. Last year saw the division elevated in status to a department. This new emphasis aside, however, suffice it to

say that the ADB is in no position to make customized loans to every private-sector entity that might want one. Still, to further supplement its core activities, last year the ADB became a major contributor of funds that, coupled with capital from the private sector, were used to establish the Asian Financial Investment Company (AFIC).

In principle, I believe that the ADB's strategy in this area is on target. But if it becomes too aggressive, new problems could emerge. As an example, if it were overly forceful in demanding domestic policy revisions as a condition for providing a loan, a prospective recipient nation might cite that as interference in its internal affairs. Since international institutions are in a position to ignore politics and argue their case on economic or technical grounds, they are generally able to show more flexibility when a developing nation's domestic policies are at issue. This would be somewhat more difficult for the Japanese government or any of its ministries or agencies, however, due in part to diplomatic constraints. The paramount goal, however, should be to adequately convince a nation that its domestic policies largely determine the course of its economic future, for better or worse. Obviously, nothing good will accrue from going so far as to give the impression that you are meddling in the other party's internal affairs. For that reason, I believe that the best approach is ultimately to engage in close and cordial dialogue with the goal of achieving a constructive outcome.

Also, dangers lie in depending too strongly on the abilities of the private sector. Even in Japan and Britain, some public-sector operations were not privatized until as recently as the 1980s. In many Third World nations, and even in some nations that are further advanced, the private sector has yet to develop adequate strength. Even if such a country is pressed to privatize certain state-controlled undertakings, chances are that its private sector would lack the financial capacity, the experience, and even the administrative strength to accept that responsibility. My point here is that we should not be too impatient about seeking steps toward privatization. While bearing in mind that stimulating the private sector can often open a shortcut to economic prosperity, it is nevertheless imperative that emphasis be kept in step with reality.

Now to make a related point. Revisions to recipients' policies, as well as efforts to stimulate the development of their private sectors, are, of course, important. That is not meant to imply, however, that capital supports can be dispensed with. Developing nations are unlikely to undertake policy revisions demanded of them without receiving financial assistance in return. Economic development demands capital inputs in developing nations, too; if reserves are inadequate domestically, funding from outside becomes essential. And then, everything is simply a question of degree. I feel that the balanced and proper approach would maintain existing levels of capital aid while moving into dialogue on policy issues and at the same time encouraging a greater

development role for the recipient's private sector.

As my last theme for discussion, I would like to touch on the approach to foreign aid that Japan is likely to adopt in the years ahead.

First, it seems reasonable to say that Japan has been virtually alone among leading nations of the developed world in continuing to maintain a meaningful level of enthusiasm about economic assistance at a time when the global economy is faced with a host of new threats and uncertainties. It is crucial, moreover, that Japan not lose that enthusiasm or neglect making earnest efforts to provide such aid. Perhaps the time has come for Japan to thus accept the responsibility of providing economic assistance as its historical obligation to the world community. Britain during the nineteenth century, and the United States during the first half of the twentieth, were the predominant suppliers of capital and technology internationally. However, Japan should not necessarily be forced to assume the same sort of role during the last decade of the present century and the next.

In the nineteenth century, Britain imported raw resources from its colonies to manufacture products for export. In effect, it had become the world's key industrial center. At the same time, it also served as a global bank by pouring part of the capital it accrued from commerce back into investments worldwide. Again, through the early twentieth century and especially following World War II, no other nation possessed a manufacturing base or capital reserves comparable in scale to the holdings of the United States. Consequently, that period was to be the age of American industrial and financial predominance.

Today, however, few areas of the globe are lacking in industrial capacity. That factor should explain why most nations would protest if Japan were to offer them assistance provided they use it only to purchase Japanese goods. Circumstances today are far changed from what they were in earlier eras. Nor can Japan expect to dominate the global financial scene because major financial centers now exist in every region of the world; Asia, for instance, also has Singapore and Hong Kong.

While not ignoring these changes in the international environment, I nevertheless feel that Japan's economic prominence and stature in the global community today demand that it accept the task of providing economic assistance as its historically defined obligation. Admittedly, however, it is the Japanese taxpayer who must pay for it. And unless the taxpayer comprehends and consents to that obligation, funds will not be forthcoming. Moreover, there is always the danger that taxpayers could quickly lose their enthusiasm for supporting Japan's role as a leading donor of economic aid if they see their hard-earned taxes used carelessly or wastefully in the developing regions of the world. Therefore, precisely because it is now one of the world's leading donors of aid, Japan should be more conscientious about how that aid is applied.

First, greater care should be exercised in the process of selecting projects eligible

for aid. So often do we hear about projects that failed despite substantial inputs of Japanese capital. When the ADB began operation in 1966, many nations in Asia assumed that it would automatically pour a widened flow of funds into their economies. The fact is, however, that the ADB is a financial institution and as such, must proceed cautiously in selecting development projects worthy of assistance. And for each project that it does select, the ADB will expend even greater effort on necessary feasibility studies and other preliminary assessments. In fact, it was not ready to offer its first development loan until some 13 months after it began operation. In response, criticism questioning the ADB's role mounted as impatient Asian nations began asking why no funds had yet been made available to them. However, I should point out that the ADB is still in operation today precisely because it was able to withstand the heat and conduct its business affairs on a solid financial footing.

As you can thus imagine, selecting eligible projects for assistance is an extremely difficult task. More often than not, failure awaits anyone who, in deciding how they are going to provide a \$100 million loan, decides first to choose the recipient country and then rushes to find a project where the funds can be applied.

Secondly, thorough follow-up evaluations must be made of projects to which loans were made. World Bank and ADB efforts in this area have grown substantially in recent years. Both of these institutions have set up independent evaluation teams to assess the annual progress made in projects that they fund. At the ADB in particular, a special office for such follow-up evaluations has been set up with direct responsibility to the ADB president, not to the vice-president who authorizes the loans. Each year, both the ADB and World Bank generally find that two-thirds of the projects they finance are showing progress, with only limited progress made in the remaining one-third. On average, a project ends in failure once every one or two years.

In short, it is important that authorities in charge of future Japanese foreign aid appropriations give adequate attention to such matters to confirm that taxpayer monies are being applied effectively in overseas development efforts.

Let me skip over the technical issues and here urge everyone, Japanese individuals in particular, to develop a better awareness of three key prerequisites for making international cooperation and development assistance effective in the broadest sense.

First is human resources development. This should be obvious to anyone aware of the Japanese or Asian tigers' economic success stories. Some historical data, however, should be instructive. Back during the Meiji Restoration, roughly 12,000 private educational facilities existed in Japan, offering instruction to as many as 800,000 children annually. That figure represented about 40 percent and 10 percent of the nation's school-age boys and girls, respectively. With that many literate young adults emerging every year with skills in reading, writing, and arithmetic, it is little wonder emerging every year with skills in reading, writing, and arithmetic, it is little wonder

that Japan was able to so quickly absorb Western cultural objects and technologies and adapt them to its own needs and circumstances. In effect, education proved to be the foundational support for Japan's modernization, and most certainly so during the postwar era. By comparison, when the newly industrializing economies of Asia debuted in the 1960s, their populations had an average literacy rate of 60 percent. But only recently has this level been attained in the nations of south Asia.

It is undeniable that the success stories of Japan and Asian NIEs have heightened expectations throughout the developing world. But if at the same time the optimistic notion has been conveyed that economic growth can be quickly realized and with only modest effort, that is, unfortunately, nothing more than an illusion. To the contrary, and above all, economic ascension demands human resources; moreover, their development itself demands much time. Those who map out government policy are people, just like those who implement it, those who engage in agricultural pursuits, and those who work at factories. As such, comprehensive and intensive human resources development are the key challenges that aspiring countries must address and accept if economic growth is high on their national agenda.

The second prerequisite is market deregulation. This, of course, is something that many Japanese have grown tired of hearing about. But saying that, I do not mean to imply that outside observers are at this point likely to find Japanese efforts thus far in the deregulation process to be wholly satisfactory. True, finished products now account for at least half of total Japanese imports, quite an accomplishment in its own right. However, Japan must open its markets still wider if it is to accommodate the growing export capacity of developing countries. Until recently, Asia's NIEs and other relatively industrialized countries had been extremely dependent on the U.S. market for their own growth. But in face of the United States' efforts to cut the massive deficit in its international balance of payments, such nations have had to find new export markets for their products. The problem there is that few markets of similar scale exist. From this larger global perspective, then, it is crucial that Japan strive to provide developing countries with an extensive market for their exports.

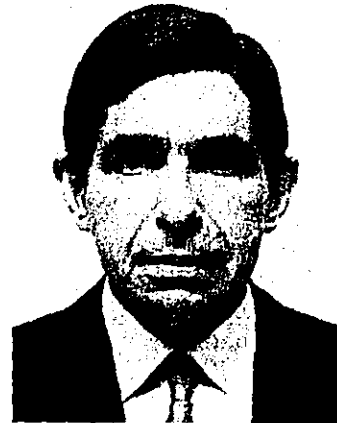
Indeed, the structural transformations that through the 1980s have characterized major economies worldwide further underscore this necessity. At present, agriculture still plays a key role in the economies of many developing nations. After developing agriculture to a certain level, some nations are now beginning to industrialize. Agriculture alone is utterly insufficient to support population growth rates of 2 to 3 percent as some countries are experiencing, let alone raise living standards. Hence, countries that no longer can depend on agriculture as their mainstay economic activity must industrialize. And a strategic objective for those that follow that path is to build manufacturing industries that offer higher value-added. But of course, they inevitably makes it clear that Japan must open its own markets wider to accommodate them.

As a third prerequisite, I believe it is going to prove necessary for Japanese society itself to grow far more open as a step toward encouraging greater interaction at every level, public and private, with the societies and cultures of the developing world. During the 1970s, as Japanese ODA levels expanded, Japanese firms steadily branched out overseas. Yet with that trend emerged a new form of cultural friction wherever offshore Japanese business operations decided to drop anchor. Over the years, Japan has grown increasingly aware of its own shortcomings in this area and little by little, efforts are being made to atone for past mistakes. But given the ever-present reality of increased contact, social and cultural animosities are likely to surface anywhere Japanese ODA or corporate offshore efforts are targeted.

Many non-Japanese have voiced aspirations to visit, study, work, or even settle down in Japan. However, many also have the impression that Japan makes it extremely difficult to do these things. The perceived difficulties stem from various factors, among them the language barrier, high prices, traffic congestion and overcrowding, to mention but a few. For non-Japanese to surmount these obstacles and experience Japan as they would like, it seems essential that individuals in every quarter of Japanese society strive to build and nurture personal friendships with foreigners. Encouraging economic ties among nations is, of course, important. Intercultural interactions in the realm of sports, academic or scientific pursuits, and even leisure are also desirable. Ultimately, however, Japan must establish a more palpably open societal milieu conducive to the broad development of stronger personal bonds among Japanese and people throughout the developing world.

It is admirable that Japan has managed to become the world's top ODA donor. Though my address to you today has at times diverged from topics immediate to the affairs of development assistance, let me stress in closing that I hope Japan's growing generosity does not serve to breed any new animosities in coming years. Thank you.

COMMEMORATIVE SPEECH



Dr. Oscar Arias Sánchez
Former President of Costa Rica

My dear friends, forty-five years ago, the most devastating war known to mankind came to an end. Japan, demoralized by defeat, also suffered the horrific distinction of having been the victim of the first nuclear holocaust. Costa Rica did not participate in any military action during the course of that bloody conflict, but it was part of the group of small and large nations considered its victors. Today, both countries have learned that war is useless and destructive for all human beings and not just for those who participate in it. Fortunately, every meeting between Costa Rica and Japan is now a meeting of peace and cooperation. We work together for the uninterrupted continuation of the arduous march toward peace initiated in 1945. United in this endeavor, the peoples of Costa Rica and Japan have taken important steps in the search for an international economic order and judicial system based on justice and liberty for all.

Despite the *common desire to achieve a solid and secure international order*, in the last forty-five years the world has not had a single day without war, nor has it seen the end of injustice or poverty. A hopeful humanity, millions of men and women exhausted by the uselessness of so much death and destruction, believed that the end of the Second World War meant the beginning of a new era of reconstruction, well-being and freedom. But instead it has faced many more wars, oppression, and poverty. More than four decades of tension and danger had to pass before the losers and the winners of the great war came to understand that humanity cannot have a future

until it eliminates the use of force as a means to resolve conflicts and regional economic inequalities.

Today, an uncontrollable current of freedom gushes forward throughout the world. Walls are falling, borders are disappearing, ideological sectarianism is diminishing, and we are beginning to catch a glimpse of the advent of a humanity united by an inescapable community of interests. We are seeing a gradual universal acceptance of the notion that planetary coexistence is impossible without a climate of international understanding and cooperation. Now we know that the greatest threats facing nations proceed, not from other nations, but from natural and social phenomena and situations that do not differentiate between individuals or nations. As has been said many times before, the world's dimensions have become smaller, making us all neighbors, making us all dependent on one another.

Japan, like other industrialized countries, has based its Official Development Assistance mainly on two basic types of consideration. Some respond to the reality that global economic relations have become unitary, that the North and the South have reached so great a degree of integration that the economic and social problems of a hemisphere cannot be resolved while the economic and social development of the other is not achieved. Others are motivated by principles of humanitarianism common to all cultures.

I trust that these considerations are easily understood by Japanese society. During the post-war period of reconstruction, Japan reaped the benefits of international assistance, so critically important for development and unequalled as a means to promote peace. Japan's emergence as a world economic superpower makes it increasingly vulnerable to the forces of social and political instability that persist, primarily, in less developed regions. It is easily demonstrated that the instability in any region of the developing world endangers Japan's economic interests. For stability and security to exist throughout Africa, Asia, and Latin America, democracy, social justice, and sustainable development must be promoted in all of our countries.

We are grateful for the political support that we received from Japan in your recent endeavors for peace in Central America. That political support included very important humanitarian and technical assistance. The improvement in the Central American political situation—an improvement based on democratization and demilitarization—risks being only temporary if it is not followed by the reasonable satisfaction of our peoples' economic and social expectations. In most cases, we are not speaking of inflated aspirations for well-being comparable to those common to the peoples of the industrialized countries. We are speaking of the basic needs of food, education, health, and housing.

It is very unlikely, however, under the present conditions of economic uncertainty with unfair terms of exchange and the burden of an asphyxiating external debt, that

our nations will be able to dedicate to development the resources needed to contain the great social pressures. The process of peace and progress of democracy must be a period of economic reconstruction that will depend fundamentally on the capacity of our own peoples. But it is also a process to which countries like Japan, that possess the means and will to assume an elevated commitment to assistance for development, can make a significant contribution.

In Costa Rica, the democratic system allowed us to welcome former President Jose Figueres's initiative to abolish the army. That decision allowed resources that would have normally been dedicated to the financing of military institutions, to be redirected to support social ends. As other peoples of the region were forced to sacrifice their freedom, under dictators of the right and the left, in order to maintain costly military systems, the Costa Rican democracy peacefully ordered its modest resources to enable its citizens to enjoy a significant degree of material dignity.

The reality of each country is different, and we cannot assume that our solutions should be applied globally. There are specific historical events that explain why Costa Rica has enjoyed certain social and political achievements. Even so, our experience is the experience of an underdeveloped country. That permits us to assume that it can be duplicated, with other characteristics, in Latin America and elsewhere in the developing world. For that reason, when the people of Costa Rica address the most prosperous societies of the world, asking them to maintain and, if possible, increase aid for development, we do so with proof that this help will not be given in vain. It must be channeled, by mutual consent, toward the compelling objectives of democracy and sound social investments.

We support the philosophy that has guided the Japanese government in its program for international cooperation. The people of Costa Rica can attest to the fact that this country has placed a special emphasis on aid directed toward the improvement of education, health, and infrastructure. Naturally, we would have preferred even more abundant Japanese aid, but we full-heartedly support its developmental direction. The Japanese government and non-governmental organizations should pressure the other developed nations to join Japan in increasing their contributions, above all, to convert military aid into aid for development. The generosity of Japanese institutions gives them the moral authority to demand that military aid donated to developing nations by the other great economic powers be redirected toward more constructive objectives. A military aid that, in many cases, only serves to strengthen some politicized national armies that tend to repress and disrespect democracy, armies that by themselves are unnecessary and will be even more so as the international legal order is strengthened.

It is not enough for a country that gives development aid to uphold an ethical philosophy for cooperation. The governments of nations receiving this aid should

guarantee that it will benefit the neediest sectors and will form part of a local effort to fairly distribute the benefits of development. The primary challenge of the 90s is the struggle against poverty. Today, more than a billion people live in absolute poverty, and 800 million go to sleep hungry every night. The programs for structural adjustment that have been adopted in your countries have probably heightened these problems. The new economy that we want to build should be a more humane economy, more oriented toward addressing the basic needs of the majority, more directed toward a just distribution of wealth.

Per capita GNP should not be the only criterion used to determine whether aid to a specific country is necessary. There are other perhaps more important factors that should be considered.

It is not unreasonable to propose that development aid should not be channelled toward countries whose governments make disproportionate military expenditures. It would be neither just, nor appropriate, to give aid that is supposedly for the poorest nations to a government that dedicates significant resources to the well-being of its sergeants, lieutenants, and generals, while its women and children live in poverty. It would be appropriate for Japan to channel its development aid only to those countries whose ratio of military expenditures to health and education expenditures is not disproportionate. This condition would not be difficult to satisfy, and would add another humanitarian component to Japanese aid. According to the *United Nations Human Development Report*, some developing nations have spent as much as 711 times more on military than on human welfare expenditures.

Development aid should also be linked to the enjoyment of democratic freedoms and the respect for human rights in the countries that receive it. Academic discussions to define these liberties are unnecessary. I am speaking of individual freedoms: freedom of movement, freedom of worship, freedom of expression. If there is a sincere commitment to promoting democracy in the developing world, then economic aid should only be granted to those countries determined to introduce multi-party political systems, as well as free, periodic, and verifiable elections.

With the virtual end of the Cold War and the democratic rehabilitation of Eastern Europe, aid from the more developed countries will be partly channelled toward those nations. As a citizen of the developing world, I recognize the need for this. But this new aid from the European and Asian economic powers should not mean decreased aid to the developing countries of Africa, Asia, and Latin America. This would be unjust and therefore unacceptable. A balance in the degree of development of all countries should be achieved in order to resolve those global problems that do not recognize borders, such as the migration of millions of men and women from one region to another, as well as environmental decay. The cost of ecological restoration in the Third World is beyond our means. It should be paid by everyone, but primarily

by those individuals and communities that have gained the most material advantages from environmental deterioration. Those who have released the most poison into the air and water are the ones who have the most responsibility for the task of restoring our planet. An increasingly interdependent world demands more international cooperation.

I, my friends, come from a country of peace. I have dedicated a very important part of my efforts as President and citizen to the cause of peace. I cannot neglect the opportunity given to me by this visit to a country with a vocation for peace, to speak on a topic that is closely linked with that of international cooperation. The current conflict in the Persian Gulf worries all of us, not only because it represents the danger of a war of unforeseen consequences, but also because it has already provoked a renewal of the arms race in that region. In fact, arms sales to countries in that area, for sums that exceed the tens of billions of dollars, have already been announced. Ascribing to the logic of the arms race, those regional powers that are parties to numerous latent conflicts have begun to demand a supply of similar quantities of arms from the superpowers. We fear that geo-political determinism will continue, spreading the inhuman arms race to all developing regions of the world. We watch the hope that we had placed in the results of the East-West détente being buried in the sands of the Persian Gulf region.

As the tensions between the superpowers of the northern hemisphere disappeared, the citizens of the developing world heralded the approach of an era that would redefine North-South relations in a more favorable environment.

After three decades of searching for solutions to the widening gap between developed and developing countries, we found that the situation had worsened, despite the progress of the 60s and 70s. After 1980, we experienced years of frustration. Developing world economies regressed substantially as political and social problems worsened. In Central America, for example, the 80s were characterized by the explosive accumulation of tensions that soon led to military conflict, and more economic and social instability. Our efforts for peace began against that backdrop and the distorting effects of the East-West conflict. We were convinced that the developed world would not focus more of its attention on North-South relations while the conditions of political and ideological confrontation between the superpowers prevailed. Despite these circumstances, we made significant progress throughout Latin America in the cause of peace and the respect for the will of the majority as expressed in the voting booth. We felt ready to participate in the global processes of stabilization and pacification, and to energize our development.

Disarmament and recent events in Europe should produce what we have called "peace dividends." As all countries of the world reduce their military commitments, the possibilities of dedicating additional resources to the poorest regions of the planet

increase significantly, even when the process of disarmament is relatively gradual. Dr. Herbert Wulf, of the Stockholm Peace Research Institute, has made enlightening estimates regarding this fact. After first indicating the difficulties that might still delay the attainment of peace dividends, he points out that for the first time after the creation of the post World War II international order, peace dividends are a realistic alternative. The superpowers have signed disarmament agreements. A change has been produced in the global tendency toward military expenditures. After peaking at the level of approximately \$1 trillion in 1987, it decreased by about 2 percent in 1988 and 1989. In the Third World, military expenditures exceeded \$170 billion in 1987, but decreased to \$150 billion two years later.

Let me turn to one of Professor Wulf's options for future tendencies in disarmament. According to the option he calls the "likely or realistic disarmament perspective," during the 1990s the number of soldiers will decrease from 25 to 15 or 18 million, and the number of people employed in the military industry will decrease from 16 to 10 million. Military expenditures will decrease at an annual rate of 2 percent in the developing world, and 4 percent in the rest of the world. The resources freed from military purposes and transformed into peace dividends will be \$29 billion in 1990, reaching an accumulated total of \$316 billion by the year 2000.

The enormous potential of disarmament becomes obvious. In 1988, the countries of the developing world dedicated \$142 billion to the servicing of the external debt. Seventy-five billion were dedicated to paying interests alone. In the same year, official development assistance given by the countries belonging to the OECD was only \$48 billion. Peace dividends offer the possibility of doubling development aid by 1995 and tripling it by the year 2000.

All of this shows that a moderate progress toward global demilitarization could mean an important decrease in the world's poverty.

In 1990, events do not seem to have turned out as we had hoped. A consortium of major economic powers are squandering enormous resources on a military action in the Middle East. Other developed countries are sharing the costs of the biggest post-war mobilization. Again, expenditures for the military strengthening of nations is gaining priority over expenditures for peace and development. Our dreams and hopes for peace are beginning to disappear beneath the waters of the Persian Gulf.

Winds of war again blow over the face of the earth. The already full arsenals of the Middle East are overflowing. The finest products of modern technology are ready to usher in a new phase of death and destruction. Meanwhile, the neediest human beings stand by as the satisfaction of their most basic aspirations is postponed. The most promising moment in history has been destroyed by an irresponsible dictator who has dragged the Iraqi nation into a military aggression that beseeches our protest. The entire world has condemned that unforgivable violation of international law,

but the military mobilization that has been the material expression of that condemnation has led to a regional escalation in the build-up of arms that will be prolonged beyond the end of the present crisis.

Legitimized by the presence of the greatest military powers of the world, the arms race has been revived in the Middle East. Even if the crisis is resolved through negotiation, the arsenals of the region will have grown to dangerous proportions, and the potential for new conflicts will have multiplied.

Modern history shows that an arms race begins easily, but it also teaches us that it is difficult to initiate the process of disarmament, especially in regions characterized by deeply entrenched potential conflicts between states. If the increased military supply to the countries of the Middle East does not end once the crisis passes, whatever the outcome, peace and development will have suffered a defeat.

The military capacity of various totalitarian regimes whose futures are uncertain will have increased enormously. The negative experiences suffered by the United States after arming the regimes of Anastasio Somoza in Nicaragua and of Shah Reza Pahlevi in Iran, may be repeated. Arming dictatorial regimes has been an ill-fated practice. Each time the United States declared itself the friend of a determined autocratic power, it only served to increase the suffering of the people living under that regime and the uncertainty of not knowing what cause those arms could serve in the future.

The Soviet Union contributed to the military strengthening of the Iraqi arrogance that has now won the condemnation of all of the international community, including the Soviet Union itself. In many ways, the military unfolding of the superpowers in the Persian Gulf is an accusation devoid of moral authority. Again, a superpower stimulated the irresponsible build-up of arms within anti-democratic regimes. A lack of concern for the future of democracy poses a future threat to world peace.

My dear friends, we, the people of Costa Rica, want a future of permanent peace and prosperity for Japan. We want for Japan the lasting prestige of a peaceful nation that loves justice. It pleases me, as it pleases all Costa Ricans, to know that, relative to the great economic powers, Japan dedicates a small proportion of its gross national product to military expenditures. However, as a friend and admirer of this great nation, I must observe that, given the great prosperity of this country, that small proportion may have already reached, in absolute terms, a considerable dimension, a dimension that may have surpassed the limits imposed by the pacifist will of the Japanese people.

We hope that the problems created by the present international situation will not be an obstacle for the government and people of Japan to maintain a clear position on this matter. The cause of world peace requires that Japan, as the second global economic power, maintain its military power within reduced limits. It requires that

all countries join Japan and Costa Rica to fully trust in the supremacy of international law over military power.

One hundred years ago, when Costa Rican democracy was taking its first steps, our ancestors foresaw the political and economic future of Costa Rica as one closely linked to Europe and North America. To them, culture, politics, and economics had an essentially Western connotation and projection. There was a world whose immensity did not allow them to focus on those lands beyond the Pacific Ocean. Surely, Central America also escaped the geographic and cultural horizon of their Japanese contemporaries, representing only an exotic and distant region of the world. Neither group imagined that one day, very nearby in historical terms, their peoples would reach the degree of mutual understanding and dependency that we acknowledge and are discussing today.

I hope that within a very short time our grandchildren will be able to gather together, as we are doing today, to celebrate the rule of international law. With the realization of justice, peace, and development for all peoples, Japan and Costa Rica will have become provinces of a humanity united forever. Thank you.

PANEL DISCUSSION

1. Theme

Why raise the North-South Problem again?—toward a new direction in development cooperation.

2. Background

For over three decades, developed countries together with developing countries have been working to solve the “North-South Problem,” that is, the gap between developed and developing countries. All member countries of the Development Assistance Committee (DAC) of the OECD have steadily increased their Official Development Assistance (ODA) to meet a variety of social and economic needs in developing countries. In hopes of contributing to higher living standards and increased economic self-reliance for the developing countries, the member nations have been active in areas such as health care, food production, human resources development, and the construction of infrastructure.

The trend in the 1960s and 1970s was positive on the whole; developing countries experienced economic growth rates higher than those of developed countries. There was, in a sense, some narrowing of the “gap” between developed and developing countries.

In the 1980s, however, despite increased ODA from DAC member countries, most developing countries, except for some in South and East Asia, fell into deep and protracted economic crises. The rates of economic growth in these countries fell below that of developed market economies, causing the gap, again, to widen.

The United Nations notes that the economic setbacks faced by many developing countries in the 1980s were the result of an interwoven set of events, notably the debt crisis, a collapse of many commodity prices, increased protectionism, and a decline in investment. As a result, the majority of people in low-income countries were left in absolute poverty. Thus, the United Nations characterized the last ten years as “a decade lost for development.” Considering these circumstances, the Symposium aims to focus, once again, on the “North-South problem.” By giving special attention to the difficulties faced by developing countries during the 1980s, we hope to find a new direction for development cooperation in the 1990s.

3. Main Points for Discussion (at the afternoon session of the Panel Discussion)

- (1) As noted above, many developing countries suffered economic setbacks and related difficulties in the 1980s, which have plunged their growing populations into absolute poverty. What is your interpretation of the present situation of developing countries?
- (2) How do you evaluate the efforts made by developed and developing countries so far to promote sustainable economic growth in developing countries?

(3) Last December, DAC held a "Meeting of Aid Ministers and Heads of Aid Agencies on Development Cooperation in the 1990s." At this meeting it was agreed that the following points should be the key elements in economic and developmental strategies and policies designed to break the vicious circle of underdevelopment which links high population growth, poverty, and environmental degradation:

- Promoting sustainable economic growth.
- Enabling broader participation of all people in the productive processes and a more equitable sharing of benefits.
- Ensuring environmental sustainability and slowing population growth in those many countries where it is too high to permit sustainable development.

What is your opinion on the orientation of development cooperation in the 1990s?



Chairman

DR. SADAKO OGATA

Born in 1927. Dr. Ogata is Dean of the Faculty of Foreign Studies, Sophia University. In 1963, she received her Doctorate from the University of California, Berkeley, after which she lectured at the International Christian University and University of the Sacred Heart. From 1976 to 1979, she was Minister of the Permanent Mission of Japan to the United Nations and from 1976 to 1981 she was Representative of Japan at the Meeting of the Executive Board of UNICEF, where she was appointed Chairman for the years 1978-79. Dr. Ogata became Representative of Japan at the United Nations' Commission on Human Rights from 1982 to 1985. She has lectured at Sophia since 1980, where she also became Director of the Institute of International Relations before being appointed to her present position. Dr. Ogata has published many papers on Japan's foreign policies and the United Nations, including *Vantage Point From the United Nations*.



Panelists

MR. IVAN L. HEAD

Born in Alberta, Canada, in 1930. Mr. Head is President of the International Development Research Centre (IDRC). He is a graduate of the University of Alberta in Arts and in Law and received the LL. M. degree from Harvard University. In 1953 he was admitted to the bar, and shortly after joined the Canadian Department of External Affairs. From 1963 to 1967, Mr. Head was Associate Professor, later Professor, of Law at the University of Alberta, and from 1968 to 1978 he served as Special Assistant to the Prime Minister of Canada, Mr. Pierre E. Trudeau, with special responsibility for foreign policy and the conduct of international relations. He is the recipient of many honors including honorary Doctorate of Laws degrees conferred upon him by the universities of Alberta, the West Indies, and Western Ontario. Mr. Head was appointed to his present position in 1978, and is now serving his third term.



MS. BULY O. SURJAATMADJA

Born in 1936. Ms. Surjaatmadja is the Deputy Chairman for Implementation and Monitoring, the National Development Planning Agency, Government of Indonesia. In 1960 she studied in the United States at George Washington University, Washington DC, after which she graduated in economics at the University of Indonesia in 1964. She spent a further two years, from 1966, undertaking diploma courses in economics at the Institute of Social Studies in The Hague, the Netherlands. From 1956 to 1988, Ms. Surjaatmadja was employed at the Department of Finance in various divisions; Staff Treasury Inspection, the Directorate General of Finance, the Directorate General of Finance/Monetary Affairs, and finally in the Directorate General Monetary Affairs. In addition, she was the Chairman of the Supervisory Board of PT. Perkebunan, a state-owned estate enterprise, from 1973 to 1989. Ms. Surjaatmadja was appointed to her present position in 1988.



DR. W. D. LAKSHMAN

Born in 1941. Dr. Lakshman is Professor of Economics, the Department of Economics of the University of Colombo, Sri Lanka. He received the degree of Doctor of Philosophy in Economics from Oxford University in 1973. From 1964 to 1973 he was Assistant Lecturer in Economics at the University of Ceylon, after which he became Lecturer in Economics at the University of Sri Lanka for the years 1973 to 1978. Dr. Lakshman became Senior Lecturer in Economics at the University of Peradeniya in 1978 where he remained until being appointed to his present position in 1982. From 1975 to 1979, he was actively involved in the multi-country research project on "Performance of Public Enterprises in Asia" sponsored by IDRC, and has also participated in many international conferences organized by ILO and ESCAP. Dr. Lakshman has published many books and papers on Sri Lankan economics.



MR. GEORGE H. RADCLIFFE

Born in Estonia in 1936. Mr. Radcliffe is a CARE Vice President. After moving to Mexico in 1952 and taking a degree in psychology from the University of New Mexico in 1959, he joined CARE in 1964 as a field representative in Haiti where he assisted with relief aid in the wake of a devastating hurricane. During service in Ecuador he initiated a school lunch program in the highlands. Mr. Radcliffe subsequently served in Sri Lanka and Guatemala before returning to Haiti in 1972 to administer a joint medical and community development program. He was appointed Country Director in Tunisia in 1974, later serving in the same position in Chad and Honduras. He was appointed to his present post in 1980.



MR. TAMOTSU YAMAGUCHI

Born in Hokkaido, Japan, in 1930. Mr. Yamaguchi is Deputy President of the Bank of Tokyo. He joined the Bank of Tokyo after graduating from the Faculty of Economics at the University of Tokyo in 1953. In 1976, he was appointed to the position of Acting General Manager of the National Corporate Finance Division, and then in 1979 he was transferred to South America as Director President of the Banco de Tokyo. In 1982, Mr. Yamaguchi became the Director and General Manager of the Business Planning Division, and in 1984 he was appointed Managing Director. In 1986, he was transferred to New York as Resident Managing Director for the Americas, Regional Executive in New York. Mr. Yamaguchi became Deputy President of the Bank of Tokyo in 1989.



DR. TOSHIO WATANABE

Born in Yamanashi Prefecture in 1939. Dr. Watanabe is presently Professor of Economics at the Tokyo Institute of Technology. Dr. Watanabe graduated from Keio University in 1963 and subsequently gained a doctorate in economics from the same University in 1969. In 1986 he became Professor of Economics at Tsukuba University. He took up his present post in 1988. Besides his academic duties, Dr. Watanabe also serves as Executive Director of the Japan Association for Asian Political and Economic Studies and also as a temporary member of the Economic Council. He is the author of numerous publications including *Development Economics—Economics and Contemporary Asia* and *Growing Asia, Stagflationary Asia*.

OGATA: I would like to welcome you here today and thank you all for your participation in this panel discussion. The theme of this year's International Cooperation Day symposium is "Why Raise the North-South Problem Again?" and so I look forward to hearing many responses from a variety of viewpoints.

What can we expect of the 1990s? We often hear voices saying that this is the time for a fresh, new approach to strategies for the North-South problem. A single strategy is no longer sufficient, and we have come to realize that the diversity of development needs calls for a diversity of strategies. The 1980s have been called the lost years—the lost years as far as development is concerned. If we look carefully, however, we can see an enormous diversity of development that cannot simply be defined in North-South terms. We have seen a particularly noticeable widening of regional differences. In eastern Asia—and I am sure that we will touch on this issue today—there was marked development. On the other hand, in Sub-Saharan Africa we saw the situation take a turn for the worse, and in other parts of the world we saw a diversity in development processes and results due to a variety of circumstances.

Our guest panelists today come from different regions, have different experiences, and different viewpoints. I am sure that this variety will lead to a lively discussion about the differences that exist between each region and in each field of development activity. I feel certain that today's discussion will result in a number of conclusions and proposals for the future of development strategies. However, if I may be permitted, I would like to begin by clarifying one or two points.

It is well known that many problems arise from the emphasis on economic growth in development strategies. The more growth a country experiences, the less equal the distribution of wealth will become, and this will consequently cause an increase in poverty. I believe that we must seriously consider this paradoxical problem when we approach development cooperation. In the process of tackling this compounded problem, other important issues such as social justice, political structures, democratization, and non-political matters will also be important factors of development.

If we consider the issue of development in this way, we begin to see the importance of gaining the cooperation of new participants in development—the private sector, such as businesses, and non-governmental organizations—in addition to the conventional participants, the public sector such as the government and other public organizations. Japan has become a country with a great responsibility to international development cooperation, and so we must rethink our role in the light of these new developments.

I would now like to introduce the panelists in order of their appearance in the program. The first speaker today is Mr. Ivan Head. Mr. Head is the President of the International Development Research Centre. This Canadian centre is a unique

quasi-public organization receiving capital from the government's ODA funds and operating in the private sector. Incidentally, I am a member of the board of directors of this organization. Would you please welcome Mr. Ivan Head.

Each panelist will speak for approximately 15 minutes. This should bring us to three thirty, when we will take a coffee break. After the break we will open the discussion to questions from the floor, which will also include responses and comments from the panelists. I would like the discussion to continue in this way.

HEAD: Thank you Dr. Ogata. Distinguished guests, ladies and gentlemen, it is a great honor for me to be here.

Since the beginnings of time, human beings have viewed the world about them as three dimensional. The first dimension was spatial, the second temporal, and the third conceptual. For much the greater portion of five millennia, these dimensions have been limited in scope and simple understanding. The spatial dimension until only a century ago was for the most part formed by a radius equivalent to the distance that an individual could walk or ride on a horse in a single day. The temporal dimension, for most of the world, was measured in agricultural seasons. The conceptual dimension was simple: inside that travel perimeter were one's friends, outside were strangers.

From generation to generation, century after century, these dimensions have formed humankind's knowledge, humankind's cultures, and humankind's attitudes. Ninety-five percent of recorded history has been essentially local. Ethnocentric and xenophobia instincts are buried deep within us. Activities and events beyond personal reach or personal knowledge have been matters of speculation at best and of disinterest always. The age of maritime exploration, the discovery of movable type, and the commencement of scientific reasoning have all contributed to the erosion of this insularity, but only slowly and episodically. Even those societies that reached outwards for commercial or other reasons retained a pervasive and quite inaccurate perspective of this planet and its biological systems.

As we all know, in the space of the single century in which we live, two of those dimensions have changed beyond all recognition. The horizon of distance has vanished entirely. Modern communications and transportation systems have made neighbors of every human being on this planet. The dimension of time is now so elastic that it is fundamentally different from what it was once understood to be. Such accomplishments and knowledge have permitted us to probe the outer reaches of the solar system, to engage in bio-technological activities that alter the very rudiments of living species, to participate in commercial activities that are indifferent to geography and clocks, and to become real-time television witnesses to events anywhere.

In scientific and technological terms we have released ourselves from the bonds of both spatial and temporal dimensions. But not so of the third constraint—the

conceptual dimension. Not surprisingly, it has evolved very little and now remains decades to the rear of the other two. In societies on every continent of the globe there remains a mental insularity that is so strong and so uncomprehending of the new dimensions of neighborhood as to resemble that of medieval communities. Educated persons know full well that they can travel across oceans and continents in a matter of hours, that they can telephone or otherwise communicate through those same spaces in a matter of seconds. Yet few have accepted the fact that those voluntary linkages have been joined by others that are now not only pervasive but are not subject either to selection or to severance. Much more connects communities in every segment of the globe than the schedules of airlines and the transmissions from orbiting communication satellites. In the course of less than half a century, our seemingly insatiable appetites have made each one of us subject to the activities of every other. By whatever criterion of measurement we select—demographic, economic, environmental, or political—we are neighbors, and increasingly intimate neighbors. With a momentum that is difficult to comprehend, our mutual vulnerability is increasing.

- Interest on the debt of the developing countries is now accumulating by U.S. \$274 million per day.
- The population of the world is increasing 9,000 persons per hour.
- Net deposits of carbon in the atmosphere grow by 11,000 metric tons per minute.

These figures, I hope, are as astonishing to you as they are to me each time I read them. I don't employ them for their shock value, however. They are not simply statistics. They are indicators of human welfare. They are the product of human activity taken, for the most part, without either awareness or concern for the impact on others. Some of those activities are concentrated in the industrialized countries; many are not. In the developing countries, the endeavors of four billion people to survive and to improve even marginally their creature comforts have profound impacts upon everyone else. We are all interdependent. When economies fail to perform well anywhere, markets and investments everywhere diminish in value. When burgeoning populations challenge the carrying capacity of available land masses, the outflow of refugees makes demands upon humanism and compassion elsewhere. When the dictates of common sense are ignored and the commerce of modern weapons is encouraged as Dr. Arias was deploring this morning, all humans become hostage to quarrels anywhere. And when we in the North lock ourselves into our outdated conceptual dimensions, assuming that "we" are different from "they," that vast disparities in wealth are tolerable, that the environment will retain its resiliency, that physical security is still measured by military might, we reveal that our understanding of reality has been arrested in a time warp now tragically out of date.

The questions that I pose in any discussion of development assistance are not “what assistance?” or “what quantum of resources?” I ask “assistance for what?” and “resources for what?” When properly answered, I suggest, these are the questions that will ensure the enthusiastic support of taxpayers for sensible, sensitive development assistance programs. For, as we well know, even on the eve of the twenty-first century, few of our countrymen or women—in Japan, in Canada, in any of the industrialized countries—have anything but the vaguest notions of the extent of environmental deterioration, economic uncertainty, social turbulence, and political instability now so endemic in many developing regions. Neither, I hasten to add, are they acquainted with many of the striking accomplishments and advances recorded in some developing countries. But of most concern to me, few are able to link any of these circumstances in the countries of the South with the inevitable consequences—both good and bad—that flow into the countries of the North.

How, then, should we encourage our own societies to approach these North-South issues? Given the remarkable circumstances that have unfolded in Europe in recent months, we are able for the first time in four decades to view the world other than through the distorting lens of ideological hostility. Clearly visible now as the focus sharpens is the extent of human wretchedness in so many countries. Sharply evident is the often absence of human dignity.

And this being so, we in the North have an opportunity to view development in its entirety, not from this or that changing perspective depending upon cold war vicissitudes. This new look will permit us to realize that because the ingredients of development are not confined to the economic sector, neither should development programs be so confined, as they often tend to be. Unquestionably, one of the major challenges facing the developing countries is the need to create wealth, yet a little wealth has only a marginal development impact and often increases the inequities so deeply and harmfully present in these countries.

It is axiomatic that no society willingly submits to change by outside agents. The economy can be stimulated, of course. The health care sector can be redesigned. The educational structure can be strengthened. The transportation system can be made more efficient. But these alone are insufficient. If a society is not dedicated to principles of equity and participation, if there is not present the rule of law, if there is not an institutionalized acceptance of human dignity and social justice, all those other improvements are marginal. These changes and these commitments must come from within, from the ranks of persons present in those countries who wish nothing more than the opportunity to begin the necessary processes. What outsiders must do is to get out of the way and allow them to do so.

Two of my heroes, a Canadian by the name of Mike Pearson and a Japanese by the name of Saburo Okita, participated as members of a special World Bank

Commission on International Development in the late 1960s. They and their commission associates understood this dilemma, and they addressed it. The title of their report was *Partners in Development*. There was no sense of “we” and “they” in the views of these commissioners. The concept was “us.”

If, then, we are all vulnerable to the great global process now at play and if constructive responses, to be effective, must take the form of participation by all, it seems to me to be clear that the world is in need not only of a few new attitudes but of new policies and new mechanisms as well.

Among my suggested policy prescriptions for this new world in which we live are any number of a withdrawal nature: the withdrawal or cessation by the countries of the North of practices which impact negatively upon the South and which more than offset the beneficial effects of enlightened development assistance policies. We can talk about this later in the discussion period.

Another policy change, a policy sector variation, and one that Japan understands and should be commended for pursuing, is the declaration of importance and the dedication of efforts to North-South issues along humanistic lines. Notwithstanding the conclusion of the cold war, there remains an inclination on the part of some in the North to interpret events, to measure the quality of contribution, and to assess the worth of international citizenship, all on the basis of outmoded and self-defeating concepts of military power. As former President Arias said this morning, this is outmoded and we must get away from it.

My third suggestion in policy term refers to mechanisms of development assistance. Those governments of the North that are dedicating increased percentages of GNP to ODA are acutely aware of the increasing challenge to effectively utilize these resource increments. The most sensitive and the most experienced of ODA managers knows full well that the types of change required within the developing countries cannot be imposed from without. More, they recognize that in many instances the present labor-intensive aid delivery mechanisms are no longer cost effective. Needed are new approaches and in our discussion period we may be able to turn to some of these.

The international community is now rapidly evolving, offering us the opportunity to introduce innovative and effective techniques and mechanisms preparatory to the twenty-first century. These are essential if we are to move away from those conceptual constraints that I mentioned at the onset and begin the management of interconnected global biological and social systems. The evolution of new forms of non-national international actors is an essential element in this process.

All of these observations, Dr. Ogata, are made, I assure you, by one who is awed by the enormity of the challenges facing the human species now and in the years ahead but by one who is equally optimistic that these challenges can be met.

Oru generation, I am convinced, will not willingly go down in history as the first to have passed to a succeeding generation a world less wholesome and less viable than the one it inherited. If we are to meet this requirement of generational equity, we must redefine modernism. The new definition will find virtue in creation, not destruction; value in quality more than in quantity; and one that is dedicated to sustainable practices.

The leadership increasingly displayed by the government and people of Japan in this new and exciting international environment is to be commended. Japanese commitment to a more equitable and peaceful world, evidenced in such activities as this International Cooperation Day, encourages me to believe that my optimism is well placed.

OGATA: Thank you very much. Mr. Head's presentation has suggested the necessity of altering, not only many of our policies and systems, but our very consciousness itself. I hope we may hear his ideas in more detail later in the discussion.

Next I would like to introduce Ms. Surjaatmadja. Ms. Surjaatmadja is the Deputy Chairman for Implementation and Monitoring at the National Development Planning Agency of the Government of Indonesia which is directly responsible for development in Indonesia. As I am sure you know, Indonesia is a country whose measures to alleviate poverty have had great success.

SURJAATMADJA: Ms. Chairperson, excellencies, distinguished participants, ladies and gentlemen. It is a great honor and privilege for me to speak in front of such a distinguished forum at this international symposium on development cooperation. I would like to congratulate the government of Japan for its third commemoration of "International Cooperation Day," October 6, 1990.

Allow me also to take this opportunity to thank the organizers of this symposium, namely JICA and OECF, and their sponsors who have kindly invited me and provided me with excellent arrangements so that I could attend this gathering.

Problems faced by developing countries in the 1970s—population growth, poverty, low employment rates, food shortages, and malnutrition—still exist in the 1980s, although the degree may vary from country to country. Rapid population growth adds urgency to the need to fight hunger, disease, and malnutrition. To overcome this problem the developing countries should endeavor to increase their food production.

As recommended by the North-South Committee in 1980, there must be an end to mass hunger and malnutrition. The ability of food-importing developing countries, particularly the low-income countries, to meet their food requirements should be expanded, and their mounting food import bill reduced, through their own efforts and expanded financial flow for agricultural development. Special attention should be given to irrigation, agricultural research, storage and increased use of fertilizer

and other inputs, and to fisheries development. Agrarian reform is of great importance in many countries both to increase agricultural productivity and to put higher incomes into the hands of the poor.

In addition to this, the provision of basic needs to increase agriculture production such as irrigation, fertilizer, seeds, and agriculture extension is required. Lack of adequate infrastructure, both economic as well as social, has aggravated the burden of the developing countries in their efforts to overcome their problems. This includes poor road conditions as well as transportation and communication, illiteracy, unskilled labor, and lack of health facilities.

One obvious and serious challenge for developing countries is the rapid population growth. In some developing countries there is a trend of declining population growth due to the rapid decrease in fertility, in spite of the very rapid decline in mortality. Further declines in fertility and rate of population growth, however, will be difficult. Another major challenge for developing countries is the issue of the environment. We are aware that the strain on the global environment is derived mainly from the growth of the industrial economy and world population.

In addition to the basic problems of developing countries, as elaborated earlier during the second half of the 1980s, some developing countries have been facing deteriorating situations due to serious external debts. Annual debt payments during these years increased sharply. The impact of the massive depreciation of the U.S. dollar on some developing countries, particularly oil producing countries, was even greater because of the timing. It coincided with the sharp decline in the international price of oil in 1986.

To overcome these problems, developing countries are undertaking development programs, projects, and activities in various sectors. In population and family planning, long range population policies have the objectives of reducing fertility, increasing life expectancy, reducing the rate of mortality, and reducing geographical imbalances.

Food and nutrition policies and programs endeavor to achieve adequate and equitably distributed supply of food at reasonable prices and in diversified products so as to improve the nutritional value of the people's diet. They try to reduce the degree of dietary dependence on certain food by diversifying both food consumption patterns and the available food supplies. Efforts to improve the nutritional status of the people through reduction in the prevalence of nutritional diseases is also attempted.

With regard to housing and human settlement, the provision of cheap and equitably distributed housing in healthy environments is considered part of basic human needs. This includes the provision of public housing, clean water, and the improvement of sanitation for residential areas. In the transport and communication sector, development programs are geared toward facilitating more efficient flows of goods and services and toward increasing the mobility of the population to all parts

of the country. Road construction programs are directed to the development of road networks within the production centers, and between the production centers and their marketing areas.

The development of the education sector covers improvement of the quality of education, greater educational opportunities, and an increase in the relevance of education to the needs of the people. The development of the health sector is to reduce mortality rates, to improve the nutritional status of the people, to increase the number of health personnel according to the needs of the community, to enhance the health facilities, and to help increase the awareness of the importance of healthy living.

Despite efforts made by developing countries, international recession in the 1980s has caused the need for further adjustment and restructuring policies in several developing countries. The issue, however, is whether all these economic reforms, policy adjustments and restructuring do not result in an ever-increasing burden for the poor. A number of studies have been carried out to measure the incidence of poverty and its trends. One of these studies contained in a World Bank report concluded that in Indonesia the policy adjustments did not additionally burden the poor, and a decline in the incidence of poverty was seen from 33 percent in 1984, to about 22 percent in 1987. Recently it has declined further to a low of 17 percent in 1990.

Development efforts and activities mean cost. Such cost needs financing which includes a substantial inflow of external resources. To attain the targets of economic growth adequate funds must be made available and their efficient utilization is also a requirement. Source for funding the development will not be sufficient if simply reliant on domestic savings. The mobilization of domestic savings will rest primarily on concerted efforts to increase domestic revenue through taxes and excises, exports and investment.

To supplement such shortages of development funding, foreign funds in the form of development assistance is required. Development assistance funds in the form of grants or with soft terms, which has no political ties and is within the repayment capabilities of the country is appropriate for developing countries. Foreign borrowing will be adjusted to development funding needs after consideration of the highest feasible mobilization of funds from domestic sources. Their use is to be directed to priority projects, thus ensuring their ability to contribute to the attainment of development aims.

Developing countries have undertaken various efforts to increase the economic growth and is reflected in their development plans. The developed countries have extended their assistance in various forms such as the provision of official assistance, endeavors toward less restrictive trade schemes, the transfer of resources through foreign investment, and the transfer of technology. These have all been conducive

to the acceleration of the economic growth in the developing countries. The official assistance provided by developed countries has also been expanded in various areas such as technical assistance, project aid, commodity aid, and local cost financing, which are intended to support the development efforts and to overcome the problems of the developing countries.

It should be noted, however, and taken into consideration for future cooperation, that official assistance from developed countries to finance the development efforts of the developing countries has not yet reached the appropriate percentage level of their GNP as recommended by the United Nations in the UN Resolution.

To optimize the utilization of official assistance from developed countries and to enable broader participation of all people in productive processes and more equitable sharing of benefits, it is imperative to consider the following aspects:

1. Developing countries should be given more privilege in deciding their projects or programs in accordance with their priorities. These priorities should not be distorted simply because financing is available for some programs and not for others.

2. Procedures and mechanisms for utilizing the development assistance should not be complicated, rigid, and subject to tight requirements, as is usually the case. It should be simple and practicable so that they will facilitate the purpose: quick and full absorption of the aid.

3. Utilization of development assistance should be more flexible to broaden its eligibility to include supplier, manufacturer, contractor, and consultant of the recipient country to effectuate the local capability and resources.

4. To increase participation of local firms it is vital that measures, such as margin of preference, are provided.

5. In utilizing development assistance for procurement of foreign goods, transport facilities should not be tied to the donor country's vessels.

6. Provision of development assistance should incorporate the transfer of technology.

7. Within programs of poverty alleviation, due to specific country by country problems, assistance should be given in such a form so as to enable easy implementation of programs and the smooth absorption of funds, such as in the form of program and commodity assistance that has been introduced by the Government of Japan.

8. As far as the environment is concerned, developing countries should not be required by developed countries to carry out sustainable development while, at the same time, these industrial countries continue with their established patterns of production and consumption which is enormously damaging to the world environment.

9. In family planning programs, availability of funding should be secured. A critical decline in the availability of international resources for family planning will jeopardize the required program expansion, with serious implications for future

decreases in fertility and population growth. In turn, the latter will have a considerable impact in the future of unemployment among the younger working-age population, as well as on environmental degradation.

10. For developing countries facing structural balance of payment difficulties, donor countries should consider the possibility of conversion of the debt into grants, or rescheduling outstanding loans favorably for the recipient countries.

In addition to our observations on official development assistance, as described earlier, it is important to pay attention to the decisions made by developed countries. While such decisions are favorable to their own economic situations, they have proved, on the other hand, to be unfavorable to developing countries. Examples that should be noted are: the decision on international exchange rates particularly among key countries, the decision on world interest rates, and trade arrangements.

It is expected that, for the enhancement of the effectiveness of development cooperation in the 1990s, the aforementioned aspects are taken into account by the developed countries.

This is not to say that development assistance from developed countries received by developing countries today has not been based on such considerations. Larger and more intense efforts, however, are required to materialize the framework of international cooperation in order to optimize the results of development efforts for the world economy. Thank you.

OGATA: Thank you Ms. Surjaatmadja for your comprehensive explanation of the aims of development and your very thorough ten-point outline of what developing countries—the people in the position of implementing aid programs—expect from the countries supplying them with aid. I hope we will have some time for questions and more detailed comments on this subject later in the discussion.

Now, however, we'd like to hear from our third speaker, Dr. W.D. Lakshman, professor of economics of the University of Colombo in Sri Lanka. Dr. Lakshman currently resides in Japan as part of a JICA program, and we understand he will be telling us why the assumptions that underlie past foreign aid programs should be rethought. Dr. Lakshman.

LAKSHMAN: Ms. Chairperson, dear friends. It is indeed a pleasure to be able to participate in this International Cooperation Day symposium. I am honored to be given the opportunity by JICA and OECF to participate in today's symposium.

Having achieved a high level of economic development over a relatively short period of time, and having begun its activities as a donor nation in a small way in the 1950s, Japan has risen to become the largest donor nation in the world. It is indeed magnanimous on the part of a people who have expelled from their midst the agony and curse of poverty and squalor and have become affluent, to be concerned about their less fortunate brethren in countries and to try through financial and technical

assistance to raise them out of the misery of poverty and underdevelopment.

Being the occasion of the commemoration of Japan's entry into the donor community, I feel it appropriate to address you today on what I consider to be a principal problem area in respect of the development role of foreign aid.

The role of foreign aid as a development tool has been seen as that of establishing a background and framework for self-sustained, self-reliant, autonomous development in recipient countries. In other words, its role has been viewed as one of creating conditions for gradual elimination of its very *raison d'être*. In our post-war history, there have been a few countries which seem to have effectively utilized capital and other resources made available to them through external assistance as a launching pad for a process of self-reliant development, where the dependence on these transfers has since been substantially reduced. Such examples of genuine development are rather the exception than the rule.

The history of foreign aid is full of cases of aborted development and for some recipient regimes it appears to have even produced a narcotic addiction. In the face of the current development of many developing countries, gripped as they are by serious debt crisis, foreign aid may be used largely to pay back past loans rather than to lay the foundation for sustainable development.

Thus the question of how to utilize assistance for genuine self-reliant development continues to be as relevant and lively a question today as it ever was. The question of aid utilization is, no doubt, largely a matter of the political economy of the recipient regimes, yet some rethinking by donor institutions and countries about methods of dispersing aid can contribute greatly towards improving the impact of aid on recipient peoples.

A well-established practice among the donor community is, in general, not to grant aid for directly productive activities. The general principle is that of "foreign aid for infrastructure and human capital development." This is due to the hope that a developed infrastructure and accumulated human capital will subsequently stimulate direct commodity production within the private sectors of recipient countries.

There are cases where this hope has not been realized on a sufficiently large scale, even after conditions pertaining to infrastructure and human capital have attained a satisfactory level of development. When this happens, foreign aid fails, on one hand, to help those it presumably intends to help, namely the impoverished masses in rural and urban areas of developing countries. It is a sustainable process of creating job and income opportunities in directly productive sectors which can truly help these masses. On the other hand, any failure of improved infrastructure provided through borrowed money to generate sustainable growth in directly productive sectors would eventually drag an aid recipient country into a debt repayment crisis.

There is a clear need for donor countries and agencies to rethink the across-the-

board application of the philosophy of “aid for infrastructure and human capital development.” There are many developing countries where the overriding need is the build-up of infrastructure and human capital. In between this group of countries and the more developed group of developing countries, where an organic process of capital accumulation has taken root, there is an intermediate group of countries. The need of these countries is not for infrastructure and human capital development but the initiation of a sustainable process of private capital accumulation. I am addressing myself here to the needs of this intermediate group of countries.

In these countries, the experience so far seems to suggest that infrastructure and human capital by themselves are not capable of generating adequately extensive private accumulation in directly productive activities so that the expansion of the systems of production and employment can take on a life of their own. Hence the need to question the conventional wisdom of restricting foreign aid to infrastructure and human capital development, particularly in respect of this group of countries.

These are countries at low levels of development depending heavily on concessionary foreign funds and, by definition, they are also countries with rather small and inexperienced entrepreneurial and industrial/agricultural capitalist classes. Hence the failure of foreign funded programs of infrastructure and human capital development to stimulate adequate private investments in directly productive activities. In such situations, therefore, donor countries and agencies need to seriously consider ways and means of utilizing available official funds in the stimulation of directly productive agricultural and industrial ventures. This can be done in a number of ways.

One possible method, of which there are some limited precedents, is to develop a system of bringing about collaboration among three parties: a) foreign aid, b) donor country private capital, and c) recipient country private capital. National foreign aid agencies presumably can play a catalytic role in this connection by bringing together the donor and recipient private capitals and offering some risk sharing or cheap credit facilities using part of the available aid funds.

Bringing together donor country capital, perhaps small capital, as partners with local capital is of particular importance here. Provision of cheap credit facilities to developing country private capital through banks utilizing aid funds has been tried before without much impact. Hence the need to bring in foreign private capital. Another possibility for implementing the above proposal is to utilize, on a temporary basis, the instrument of public enterprise in recipient countries (under strict conditions to ensure efficiency) to fill the gaps left by lack of private capital. This is an instrument very effectively utilized in many countries at stages of inadequate development of private capital, with clear intentions of subsequent divesting of the ventures concerned in private hands once their teething problems are successfully resolved.

In such initial development of new activities in the public sector also, the aid

authorities can play a catalytic role by bringing in donor country private capital to collaborate with recipient country public enterprises. Such intervention in promoting directly productive activities can be well planned, maybe helped by suitable conditionality provisions, so that a well-integrated production system is gradually developed in the aid recipient countries.

Without such involvement in directly productive activities in industry and agriculture, the development impact of foreign aid within the group of countries I am talking about is likely to be reduced and the development process will become painfully slow. The trickle of benefits of that process will not meet the urgency with which the impoverished masses expect tangible results. Under these circumstances, foreign aid will continue to fail in its role of helping the poor on a sustainable basis.

The narcotic addiction to foreign aid, however, will persist on the part of the recipient regimes as they will continue to have the poor to be shown to the donor community as the justification for foreign aid. What seems to be required is a willingness and commitment to pragmatically explore new ways and styles of aid giving, without being blinded by ideologies and textbook models. A method proved successful in one social system may not work so well in another, thus requiring careful experimentation. Without this, the mere increase in the volume of aid and the further softening of terms are unlikely to get foreign aid itself out of the crisis which the *Pearson Report* identified as early as 1969.

OGATA: Thank you, Dr. Lakshman. Our last speaker has taken a very critical view of the way aid programs have functioned in the past and suggests that merely improving the amount and conditions of aid may not result in truly sustainable development. He then went on to propose linking up private capital in developed and developing countries and focusing aid on projects more likely to result in directly productive activities. I'm sure there will be much to discuss about these points later on.

Our fourth speaker is Mr. George H. Radcliffe, the vice-president of CARE USA. People my age no doubt have fond memories of CARE Packages, but as Mr. Radcliffe will inform us, developing countries now have access to a number of different kinds of CARE Packages.

RADCLIFFE: Thank you very much. Dr. Ogata, those were very lovely words. The Care Package is a part of history. Today we are a somewhat different organization, thank you very much. Permit me also to thank JICA and OECF for the opportunity to participate on this illustrious panel. Like the NGO Forum, just completed in Osaka, I see this as yet another stimulus to the NGO sector in Japan. If we, as concerned people, organizations, and nations are to reverse the downward spiral of the absolute poverty of so many of our brethren, it will be the NGO sector with its grassroots links to that community that will have to play a major role. It is, I believe, important that Japanese NGOs prepare themselves to participate in this effort and, if they so

choose, that they be accorded an important role by government ODA.

Ladies and gentlemen, we are all aware that our own societies face many serious challenges that we have carried forward from the past decade to the 1990s. In the United States we are wrestling with the horrors of AIDS and substance abuse, with years of poor fiscal management that have resulted in a severe budget crisis, with the failure of the savings and loans system, with a crisis in our educational system, and with pollution and general environmental degradation.

Such concerns, as well as the dramatic political changes that have taken place in Europe in recent months, will have a large impact on the resolve and financial ability of those who have traditionally taken the lead in international humanitarian and developmental assistance. At the end of this decade, the prime measurement of our success as development facilitators may be the degree to which we prevail in keeping sufficient resources focused on social and economic equity for all people.

While we recognize the seriousness of the problem we face at home, it is CARE USA's belief that the challenges of the economic development in the lesser developed countries must not be diminished. As a leader in the NGO community, we see it as our obligation to work to assure that the needs of nations lower in the development continuum are understood and are met. After all, it is these nations that are the home of the vast majority of humankind, whose actions will more and more influence the world in which we all live.

There is, we believe, sufficient room for NGO action and influence at many levels. As primarily an implementer of development and emergency projects, our focus on the challenges of the 1990s is primarily in three broad sectors: health (including population), environment and agriculture, and the creation and expansion of small enterprises. Recognizing the crippling effect that the debt crisis imposes on nations, we have acted to create a subsidiary organization which works with governments and banks to convert crushing debt and idle inconvertible currencies into development capital. This entity is called "CARE's Back". As an NGO with a broad public constituency, we act to influence public opinion on development and stress the reality of global interdependence.

We believe that this approach supports our conviction that the development process, to be ultimately successful, must positively influence the lives of those who all too often receive little benefit from more traditional development strategies. Our approach has found resonance among other developed nations, including Japan, who have joined the family of CARE International.

In conclusion, nations who find themselves at the top of the development continuum must not, despite increased demands on their resources, slacken their support for our less fortunate brethren. Additional resources must be enlisted to join the battle. The community of international as well as indigenous NGOs must be

recognized as a viable agent of change in the development process in the 1990s. Thank you very much.

OGATA: Thank you, Mr. Radcliffe, for your informative comments on the role of NGOs, especially their functions as the implementors of aid, the leaders of public opinion, and the engines of change.

Next we will hear from Mr. Tamotsu Yamaguchi, deputy president of the Bank of Tokyo, who will address us from the point of view of an institution which facilitates foreign private-sector investment. Mr. Yamaguchi.

YAMAGUCHI: The title of my speech today is, "The Place of Foreign Private-Sector Investment in Economic Development."

The role played by the private sector in the economic growth of developing nations has been greatly reevaluated in recent years, a trend which has been underscored by the growing privatization of public corporations in these countries. Though the direct impetus for the reevaluation of the role of the private sector differs from country to country, there are some factors which are common to all.

First, the domestic and foreign debts of the public sector in developing countries have reached excessive proportions. In particular, those developing countries which have come to be known as "cumulative debtor nations" have, since 1982, been hard pressed to repay their public-sector foreign debt, a situation which has become a problem for the world economy as a whole.

Second, the public sector in developing countries has proved to be a generally poor performer economically. When inefficient public corporations run up massive deficits, their governments are forced to take out large loans in order to make up the difference.

Third, the private sector in developing nations has become more efficient in recent years and is rapidly developing the strength that it needs. Behind the emergence of new entrepreneurs and successfully transplanted corporations, particularly in Asia, has been the stimulus provided by Thatcherism and Reaganomics, technology transfers from advanced nations, and the ability of the private sector to adapt more adroitly to the rapid changes that are taking place in the world economy—changes like the globalization of production systems and service industries.

Attention has thus been drawn to the merits of the private sector, and the locus of development activities within developing countries is shifting from the government to this vital sector. This shift in the locus of development can be seen in the relative weight countries are giving to public- and private-sector investments. The World Bank recently released its third report in which it indicates that in the 29 developing countries for which statistics are available, private-sector investment as a share of GNP rose from 10.2 percent in 1986 to 11.8 percent in 1988, with a corresponding reduction in the share of public-sector investment from 8.2 percent

to 7.5 percent.

Private-sector-led development policies contain provisions designed to foster domestic savings, including smaller governments, currency devaluations, and liberalized trade, but even still, domestic savings alone are not enough to meet the dynamic funding needs of the private sector. It must therefore look to foreign sources of money, but unlike the public sector, the private sector in developing nations cannot, in principle, avail itself of the public funds provided by international institutions or the governments of developed nations. There are institutions which specialize in lending to the private sector, most notably the IFC, one of the members of the World Bank group. And in Asia we have the Asian Development Bank, which introduced private-sector capital-participation programs in 1983 and began making direct loans to the private sector in 1985 in order to promote private-sector activity that is so vital to the development of this region. The bank has continued expanding in this direction in accordance with the recommendations of the external panel report submitted to it in January 1989. It has already established a Private-Sector Bureau and is now participating in the Asia Lending and Investment Corporation.

These efforts by public institutions to make direct contributions to private-sector-led economic development are expected to spill over into other institutions in the future, but at present most of the foreign funding which the private sector in developing countries is able to access takes the form of either loans from private foreign banks, foreign bond flotations, or private investment from overseas. Foreign bond flotations and borrowings from private foreign banks, however, are effectively closed off to the private sector of cumulative debtor nations. Even when the country has no cumulative debt problem, its companies still have to vie with major sovereign borrowers for bond issues and loans, making the competition for funds difficult indeed. The most promising source of funds for private-sector-led development, therefore, is investment from the private sector overseas.

Foreign private-sector investment is usually divided up into indirect and direct investment. Indirect investment is already on the rise, as can be seen by the increasing sums of foreign money being invested in the stock markets of developing countries in the wake of recent moves towards internationalization. ADR-type investments (American Depositary Receipt) are now quite widely used, and the International Finance Corporation (IFC) and World Bank have supported efforts to organize investment trusts for the purpose of investing in the equity of developing nations. Depository receipts and investment trusts are not necessarily limited to investments in developing nations that are showing strong macroeconomic performance, either. Many also invest in cumulative debtor nations. Given the waves of securitization and globalization that are sweeping over the world of finance, it is expected that indirect investments in developing nations will continue to grow in the future.

Direct investments make direct contributions to the economies in question. They not only help cover capital shortfalls, they also create employment opportunities, increase production, and spur technology transfers. The Japanese Economic Planning Agency recently released a report analyzing how much factors like labor force growth, capital stock growth, and technological advances contributed to the economic growth rates of the Asian NIEs and certain ASEAN countries. What the agency found was that, in most cases, capital stock increases and technological advances played the biggest role. Since direct investment involves transferring a package of capital and technology from developed to developing nations, it has the potential to make tremendous contributions to their growth.

These analyses indicate that economic development in the Asian NIEs and ASEAN nations is following patterns similar to that taken by Japan in its growth period. Just as Japan achieved rapid postwar economic growth thanks to capital and technology infusions from more advanced nations, the Asian NIEs and ASEAN nations, if they introduce foreign capital and technology, will be able to absorb it and go on to achieve rapid economic growth.

For your information, Japan made direct investments in Asia worth \$8.2 billion in fiscal 1989, a rise of 48 percent over the preceding year. Singapore was first with \$1.92 billion, rising 154 percent. Second was Hong Kong with \$1.898 billion, a rise of 14 percent. Thailand came in third, attracting \$1.276 billion, up 49 percent.

In terms of industries, the most attractive was real estate, which rose 192 percent to reach \$1.121 billion. This was followed by service industries, rising 105 percent to \$1.14 billion. Third was finance and insurance, which rose 1.6 percent to \$1.079 billion.

When the yen began to appreciate after the Plaza Accord, Japan started pouring money into the Asian NIEs, but the large wage and currency hikes that followed turned the bulk of Japanese investment towards semi-NIEs like Malaysia. Much of the initial investment in the Asian NIEs was in labor-intensive manufacturing industries, but investments in non-manufacturing sectors like finance, insurance, and services have subsequently increased. Though at present most developing nations have not yet reached the stage of the NIEs or ASEAN nations, direct investment can still be expected to contribute to their growth in most cases. It therefore behooves them to put in place the kind of conditions that would encourage investment from industrialized countries.

I would like to describe some of the things that the investment side would like to see.

Like all forms of investment, the determining factor in direct investment by the foreign private sector is the return that can be expected. In order to attract investment, then, countries need to convince foreign investors that they can expect appropriate and stable returns on their money. Turning the issue around, countries

need to do their best to eliminate those factors which would cloud investors' profit expectations.

The first thing that needs to be remedied is unstable management of the macro-economy. Foreign investors are particularly sensitive to the inflation rates in the countries they invest in. High inflation is seen as the first sign that a country is deteriorating, since it generally leads to low growth, falling foreign exchange rates, larger balance of payments deficits, and tighter foreign exchange controls.

The second thing that must go is discriminatory restrictions on foreign investors. There are several restrictions that drive foreign investors away, among them limits on the stake foreign capital can take in companies, limits on the industries that can be invested in, limits on the repatriation of dividends and capital, local content audits, and export obligations.

The third factor to be eliminated touches on the cumulative debt issue. As you are all aware, ever since March 1989, efforts have been made to slash debt burdens and amounts to be repaid under the plan put forward by Nicholas F. Brady, U.S. Treasury Secretary. The Brady Plan has been used by Mexico and several other debtor nations with what appears to be good results. But some troublesome side-effects are also appearing.

One of them is a decline in new lending. Private banks are obviously hesitant to lend to countries if it means carrying large reserves against defaults or the possibility that debt-slashing measures will be imposed. The problem is that the decline in new lending forces debtor nations to cut the domestic investment they need to drive their economic development.

The second side-effect is the habitual use of debt-slashing measures, creating an atmosphere in which some debtor nations seem to feel no obligation at all to repay their borrowings from private banks. There is an attitude on the part of some debtor nations that you don't have to pay back your debts if you don't have the money, or that it is a waste to make any serious efforts to pay back borrowings. This is not so much a question of cumulative debts, however, as it is of moral hazards. It creates a climate in which it pays to make trouble. This is a dangerous trend and one which could have untold damage on the international financial order and international economic relationships. Countries which feel no obligation to honor their debts to banks will probably not feel obligated to honor other international contracts and will have a difficult time attracting private-sector investment from outside.

I would like to conclude by discussing the significance of foreign private-sector investment in light of the unexpected circumstances brought on this August by the crisis in the Persian Gulf.

Oil prices have skyrocketed and industrialized nations have hiked their interest rates in the wake of the Gulf crisis, which could lead to another round of expansion

in the current account deficits of developing countries. But since the public sector has already accumulated massive debts, it will be extremely difficult for it to finance these deficits. The first option open to them, therefore, is to reduce their real imports by the same amount as their current account deficits will be widening. Another possibility is for the private sector to become the main borrower of foreign funds. Alternatively, developing nations could try to bring in more non-debt-related foreign funding.

Obviously, a drop in real imports will hurt production and standards of living. And it is unlikely that the private sector will be able to raise that much in foreign funding. The most promising option, therefore, is to bring in more non-debt funding. This will take the form of either grants or of private-sector investments. Grants, however, are likely to go only to countries bordering the conflict and the poorest of nations. Middle-income developing nations will have no choice but to rely more and more on foreign private-sector investment. But as we have already said, countries must first lay the groundwork necessary for investment to be attractive to the foreign private sector. This means bringing down inflation and opening up domestic markets, and by doing this they will also promote more domestic savings, so these policies should be among the top priorities of developing nations. Thank you.

OGATA: We have just heard about the outlook for a greater role to be played by foreign private-sector investment in the economic development of less-advanced countries. Mr. Yamaguchi has informed us of the need for developing nations to meet certain conditions if they are to continue to attract private-sector investment in the future. This was followed by a description of the economic situation in light of the Persian Gulf crisis.

Our next speaker will be Mr. Toshio Watanabe, a professor from the Tokyo Institute of Technology. Prof. Watanabe is well-known for his studies of the NIEs regions and continues to be active both in research and in public policy consulting. **WATANABE:** In general, developing nations posted fairly strong growth throughout the 1960s and 1970s, but things were different in the 1980s. On the one hand, there emerged a group of countries faced with the serious problem of accumulated foreign debts, while on the other the absolute poverty in the sub-Saharan countries also became apparent. It is often said that the 1980s were a decade in which the gaps between North and South began to widen again, and I generally agree with that conclusion.

But while it was a decade of overall stagnation for countries in the southern hemisphere, we must also note the emergence of a group of countries that performed far in excess even of the standards of developed nations—the Asian NIEs, the ASEAN countries, and China. I call these the Western Pacific Rim countries, and I think it is important that we be aware of the fact that they were able to outperform developed nations and achieve higher levels of growth. Their success shows that the world

economic environment of the 1980s was not unfavorable to those developing nations that were enthusiastic about expanding their industrial base and continued to work towards expanding their export competitiveness. In fact, it was to their advantage.

To be more specific, the Western Pacific Rim countries began to discover ways to export their goods to the United States under the Reagan administration of the early 1980s. And when the yen began to appreciate in the latter part of the decade, they saw a tremendous upsurge in their exports to Japan. Their competitiveness, in turn, caused overseas direct investment by both Japan and the United States to concentrate in this region. This then strengthened their position as producers even more.

I am deeply impressed with the efforts made by these countries to adapt their policies to the environment they found themselves in. During the 1980s, the Western Pacific Rim countries actively scrapped many of their domestic regulations. This invigorated their private sectors and thus further contributed to their export competitiveness. These efforts, I think, are worthy of praise.

Similar things could also be said of China. In the fall of 1988, China adopted a policy of stringent government restructuring, which depressed its growth rates. But the reforms and liberalization seen in the 10 years to that point were truly striking. During this decade the country achieved real economic growth rates every bit the equal of the NIEs. Reforms and liberalization brought the country its greatest boom since its founding, and this is another success story which should not be overlooked.

The Western Pacific Rim countries' high rate of growth is, no doubt, the result of their determination to enter the market economy, a point which must be emphasized when comparing the region to other developing nations, most of which have remained stagnant. We are all familiar with the dramatic political changes that have occurred in the Soviet Union and Eastern Europe over the past year, and this also serves to underscore the point that the only way for developing countries to grow is for them to create dynamic free-market economies.

To probe the matter a bit further, I believe the region I have been calling the Western Pacific Rim will be the engine behind the expansion of the world economy of the coming age. This conclusion was arrived at based on simple simulations, and if it is true it means that a cooperative international scenario is required, a scenario in which every effort is made not to damage the economic vitality of these countries, in which every effort is made to put their latent power to work. I think this cooperation is necessary for the well-being of the world in general, and it is indispensable for Japan, the largest and most advanced country in the region.

To repeat, the dynamism of the Western Pacific Rim countries—the NIEs, ASEAN countries, and China—must be given maximum assistance, and must be used as the engine to power expansion for the rest of the world economy. By doing

this, Japan will be making tremendous contributions to the world economy. In fact, development cooperation with the economies of the Western Pacific Rim countries should be viewed as one of the most important channels for economic contribution that Japan has available.

During the 1980s, the countries of the Western Pacific Rim achieved remarkable growth rates, but this growth was extremely dependent on exports to the U.S. Unfortunately, the U.S. is now trying to bring down its "twin deficits," and the Bush administration has placed this as its top economic priority. If the country succeeds in this, a sharp fall will be seen in its ability to import goods from the Western Pacific Rim countries. When this happens, we must consider the possibility that the region will lose much of its ability to grow. In short, the biggest threat to growth and vitality in the Western Pacific Rim countries is U.S. efforts to deal with its deficits and the consequent decline in the country's ability to absorb goods. In order for the region to maintain its dynamism, therefore, Japan must take over America's role as an absorber of goods. The country must become an even more enthusiastic importer of products from the region and must be even more active in promoting direct investments and technology transfers to it.

One final point in closing. I have described the Western Pacific Rim as a region of vitality and dynamism, and this description is particularly applicable to the group known as the Asian NIEs. The NIEs are becoming actors equivalent to Japan in the economic development of Asia. By 1987 their total imports had already outdistanced Japan's. The NIEs are thus even more able to absorb world production than Japan, and in fact, over the last two years they have made larger investments in the ASEAN countries than Japan. The NIEs, therefore, should not be considered small countries. Their influence is as great as, or over the short term greater than, Japan's in spurring growth in Asia. This, too, is something which must be kept in mind.

We need, therefore, to find a way in which not only Japan but the NIEs also are actively involved in fostering growth in the less-developed nations of the Western Pacific Rim. As I mentioned earlier, a strong upsurge is already being seen in direct investments by NIE corporations in ASEAN nations and China, and this trend needs to be encouraged even more. Obviously, Japan has more experience than the NIEs in direct investments and has more money too. Isn't there, then, some way that Japan can provide the NIEs with a helping hand, both in terms of information and financing, as they make their direct investments? Isn't this perhaps an area which we need to look into? I, for one, think it is.

Among the NIEs, South Korea and Taiwan have already made the transition from being aid recipients to being aid suppliers. In 1987 South Korea established its Economic Development Cooperation Fund, and a year later Taiwan set up its International Economic Cooperation Development Fund. Though the amounts they

provide are still not large, the countries are making an effort to become active in assistance projects.

But when all is said and done, Japan has far more experience in foreign aid than the NIEs and more money to spend as well. It should therefore work in coordination and cooperation with South Korea and Taiwan in finding ways to assist less-developed countries. Ideally, a package of NIE technology and Japanese funding would be provided, since the technology of the NIEs is generally more suited to developing countries than is that of Japan. These programs should perhaps be referred to as "linked assistance" or "joint assistance." But call them what you like, they need to be tried out.

With Japan running this much of a current account surplus and having this much economic strength, it is inevitable that its economic cooperation will extend to the entire globe, and that is as it should be. But at the same time it should not be forgotten that the Western Pacific Rim will be the region that powers future expansion in the world economy. By fostering the dynamism of this region we will revitalize both the world economy as a whole and the individual economies of other developing nations. We should therefore not forget that the most effective channel by which Japan can contribute to the world economy is through development cooperation for the nations of the Western Pacific Rim.

OGATA: I myself have been interested in the reasons for the economic growth achieved by the Western Pacific Rim NIEs, China, and the ASEAN nations, what kind of special conditions contributed to their development, and whether or not Japan, in its relations with these countries, will be able to point the way to more universal development. Thank you very much for a most informative presentation.

[COFFEE BREAK]

OGATA: We will now move into the last half of our panel discussion. We heard presentations on a wide variety of topics during the first half, though one of the points common to all was the idea that development cooperation must be thought of in overall terms which encompass both government assistance and private-sector investment. Many pointed out the vital role the private sector has to play. Much was also said about the flow of funds, and most of our speakers, in discussing how to conceive future growth in developing countries used the word "equitable" and indicated that growth requires not only economic advancement but social equality. During the morning session former President Arias Sánchez noted the need to cut military spending and the dangers of militarism, asking us to think about development as it relates to peace. The question then is how to tie the flow of funds and assistance into the directions taken by countries as they develop. One topic which did not come

up very much was the issue of technical assistance, but this is obviously a vital element in linking up the other two factors. In the discussion that follows, therefore, I hope we will be able to touch on technical assistance issues as well.

Another issue that was raised in the first half was the responsibility of the North. This is a matter of conceptualization, a matter of policy, a matter of what kind of mechanisms are put in place, and also a matter of how to ensure the vitality of both the North and the South.

We would like to open the discussion up to those of you on the floor. Please feel free to ask questions and make comments.

QUESTION: My name is Gerardo Nunez Ocampo. I am from Mexico and a JICA participant. I would like to ask Mr. Radcliffe what happened with the "basic need" approach? Can we learn from that strategy? Is it convenient in this new era of market strategy?

OGATA: Thank you. The question is addressed to Mr. Radcliffe.

RADCLIFFE: As an NGO, I think the "basic need" approach is still very much how we utilize it. NGOs almost invariably, or by definition, work at the grassroots. The approach has not changed, and I don't think it will, because it is our belief that if we are going to bring about change, that is where the change has to happen. So I think that you are safe if you are hoping that is the way things going to remain.

OGATA: Do we have any other comments on the "basic human needs" approach? It seems we do not, so let's turn to Mr. Yamaguchi on our panel.

YAMAGUCHI: In his speech Prof. Watanabe discussed how active NIE countries have been in making foreign investments in ASEAN countries and raised the issue of how we should coordinate these efforts. I have some statistics with me related to this topic which I would like to read to you now.

I will limit my comments to three countries. These figures are for private-sector direct investments in 1989.

— Japan was the largest investor in Indonesia at \$770 million. This was followed by South Korea at \$470 million and Hong Kong at \$400 million.

— Japan also led investments in Malaysia at M\$2.6 billion, followed by Taiwan at M\$2.1 billion.

— Once again, Japan was the largest investor in the Philippines at 3.4 billion pesos.

Second was Taiwan at 3.2 billion pesos, and third Hong Kong at 2.9 billion pesos.

As you can see from these figures, NIE nations are making large investments in ASEAN countries. In some cases their investments are virtually equal to those of Japan. Our bank now has offices in all of the ASEAN nations, and Korean corporations and overseas Chinese corporations rank with Japanese corporations as our major clients.

OGATA: Mr. Yamaguchi has effectively backed up Prof. Watanabe's assertions. I wonder if there are any comments about the characteristics of this region and its expansion?

WATANABE: I would like to add one point to what Mr. Yamaguchi just said. The NIEs have been very actively trying to woo China.

Needless to say, the most active investor has been Hong Kong. The colony will be returned to China on July 1, 1997, but it is not waiting for that date before moving into the province of Guangdong. I expect that Hong Kong and Guangdong will develop into an organic economic block. In fact, their integration has probably already passed the halfway point.

We should also note the ties between Taiwan and Fujian Province. Taiwan has been an extremely active investor in Southeast Asia, but it is also moving across the straits and into Fujian. Considering Taiwan's economic strength, it seems likely that in the not-too-distant future—the early 1990s—it will begin to economically integrate with the province. And while it has been a bit slower than Taiwan and Hong Kong, South Korea has also begun making overtures to the provinces of Shandong and Liaoning.

The West imposed harsh sanctions on China in the wake of the Tiananmen Square incident, but the NIEs have been so active in the country as to almost completely pick up the slack. NIE corporations are beginning to build the strength needed to pull the China's coastal provinces into the greater Asia Pacific Region. I find this an extremely exciting development. If the NIEs succeed in bringing China into the Western Pacific Rim, it will mean an incredible advance in the depth and breadth of the region, which will in turn increase the area's resilience and robustness.

My remarks today were focused on the NIEs and ASEAN countries, but I think it will also be necessary to bring China into the picture when considering the future of the Western Pacific Rim.

OGATA: Seeing as how bringing China into the picture means including a quarter of the world's population, that's quite an expansion we're talking about.

HEAD: Thank you, Madam Chair. I am not an economist and do not understand economics well and that may very well color what I am about to say. In the course of my remarks I indicated that, to me, the most important question to ask in any development forum was not "what resources?" but "resources for what?" It maybe wise to cast our minds back to 1951, when the Colombo Plan—the world's original multilateral development assistance program—was created, to look at some of the goals and some of the aspirations of that program. Dr. Lakshman is here from the University of Colombo, which I find a very happy coincidence.

The Colombo Plan was created by a half dozen members of the Commonwealth of Nations: Canada, Australia, New Zealand, Britain, and the three newly independent

members of the Commonwealth, India, Pakistan, and Sri Lanka (then Ceylon). Later, the United States joined the Colombo Plan, and later still, Japan.

At the outset, it was never considered that the goals should be to raise the standards of living of the peoples of South Asia to the same level as those of the residents of downtown Detroit. I am sure that when Japan joined, it did not expect that the standard of living of people in this busy but crowded city should be set forward as the norms for all of human society. As economists are able to calculate and keep track of statistics, however, we have all become beholden to statistical tables.

When I was a foreign policy adviser to Mr. Pierre E. Trudeau, prime minister of Canada, he made a plea at one time that we should be mature enough to stop worshipping at the alter of gross national product and endeavor to pay more attention to something he called “net human benefit.”

The United Nations Development Programme (UNDP) in recent weeks has brought out a study under the direction of Mobul Bohak of Pakistan that dealt with social indicators as distinct from economic indicators. I ask the audience to pause for a moment and ask what would happen to the world if the per capita GNP of the Peoples Republic of China, was raised to that of Japan, or Canada, or the United States? Human life, as we know it, would no longer be tolerable on this planet.

If I may go back to one of the statistics that I used in my address, I indicated, and I am not sure that it was well understood by this audience, that the net carbon deposit in the atmosphere of this planet—that is the amount of carbon that stays, not the gross that goes in and is washed out—is now accumulating at the rate of 11,200 metric tons per minute.

One of the major routes for economic development is the generation of more power to allow for greater industrialization. Should China or India follow our arrogant lead and decide that our standard of living is appropriate, that our style, that our values, are correct? The amount of soft coal that would be burnt in each of those two countries, because that is what is available to them for power generation, would increase the carbon release into the atmosphere by a factor of several times.

What I should simply like to put back into the discussion is the fact that development is much more than simply economic development. I was delighted with the “basic needs” question. Development deals with social issues, it deals with cultural issues. I, as a Canadian, am very proud of a number of values within Canada. I am not about to suggest, however, to the peoples of sub-Saharan Africa that their value system is any less because they don’t drive Japanese cars or own Canadian manufactured gadgetry.

We are in a developmental dead-end street if we assume that the whole process can be measured solely in economic terms, or that the needs of developing countries can be met by this magic thing called “Official Development Assistance.” There is

much more to it than that and I hope that the discussion will perhaps reflect something of that. Thank you.

OGATA: Thank you for your very thought-provoking statement.

QUESTION: My name is Beatrice Opokua Ankomah, and I am from Ghana. I do not necessarily want to ask a question but rather make a contribution to the discussion. Mr. Head has been talking about development in terms of social equality. It is lamentable to have a world where one group of people have all the basic needs required to be comfortable while another group is very poor.

Since the whole idea of this symposium is to bring the world together, I would humbly suggest that emphasis in the discussion be aimed at making the poor get up and stand on their feet by providing assistance that generates self-help measures in developing countries. This would be appreciated much more than the sort of assistance we have at present: assistance that comes, is consumed, and is finished.

I would also like to make one more contribution. There was once a philosopher in Ghana that said, "If you educate a man you educate an individual, but if you educate a woman you educate a nation." It is very clear that the number of women who have the education to be able to contribute effectively to the development of the nation at present is minimal.

In providing aid to developing countries I would humbly suggest that some thought be given to raising the standard of education amongst women. If this standard is raised, the standard of educated children will be raised. Thus the standard of individuals and citizens in those countries and the world at large will be raised. Thank you.

OGATA: Thank you for your comments. I would like to see more discussion of what kind of assistance should be rendered to the people in developing nations as they try to stand on their own feet. I think we should also take time to look at the suggestion of investing more money in women's education and of placing more emphasis on women's education. Certainly, if you educate a woman she will not be satisfied if her children are any less educated than she is. I, too, have often heard it said that by educating a woman you educate the next generation, and it is a statement I am in total agreement with. I hope we can get some more comments on this issue.

RADCLIFFE: I would like to salute what was just said. There is probably very little that is more important today than to try to create projects, in partnership with the nations that nongovernmental organizations and others work, to improve the living conditions of women. Our organization is deeply concerned with this and has been for some years. Admittedly, I think we were all late in starting, but it is now going full force and it can be done. I salute you for what you said and I totally agree. Thank you for your contribution.

OGATA: We should, then, by all means create projects which emphasize the role

of women's education and women in development. I understand that JICA is now studying the topic of women in development, and expect that the ideas we have heard expressed here today will be making their way into Japanese aid in the future.

I'd like to get back to Mr. Head's comments for just a moment. As he pointed out, the issue of environmental pollution is not a problem just for the North or just for the South; it affects the entire globe. One of the points Mr. Head made was that the North will have to give up many things in its lifestyle, many of the values it has come to take for granted. If not give them up, then it will have to make them unnecessary. I wonder if you would elaborate a bit further for us on this idea, Mr. Head?

HEAD: I hope that I didn't leave the impression in anyone's mind that the creation of wealth is not important or that the issue of poverty is not the most important aspect of life in the developing countries. It is poverty that drives all of these difficulties, that keeps nutrition down, that degenerates the environment, and that is a barrier to education.

Certainly, measures must be designed and put into place that address the poverty issue. Equally, measures must be designed within our own societies, as between our societies, that deal with this equity issue. The problem of the distribution of wealth within our societies, and within developing countries' societies, is immensely difficult. Some of the withdrawal, or reversal, of policies that I have referred to in my remarks indicate how we in the industrialized countries often do one thing but then act in contradiction to it.

I have a list here of some of the activities in which the industrial countries are now engaged vis a vis the developing countries. There have already been references to the fact that the net flow of financial transfers is from South to North and has been for several years. It is now in the approximate range of \$50 billion per year, which means that the poorest of the world are paying out far in excess of what they are receiving from us in the North in order to service their existing debts to us.

There are also some other issues. They are all commercial practices, tributes to the magic of the market place. In OECD countries we regard them as important. The transfer, as former President Arias Sánchez referred to, from North to South of modern weapons is immense. One of the most insidious, and less attractive, practices is to find the well-groomed arms' salesman from the North, parked in the bar of a hotel in a capital city of a developing country, pushing weapons. They are not all transferred for free, of course.

Some countries are more guilty than others of forcing, for example, tobacco products on the cultures of the South, even as we in the North engage in regulation and laws to diminish their use due to health hazards. The manufacture and sale abroad in developing countries of inappropriate, thermosensitive pharmaceuticals and

inadequately labelled toxic herbicides and pesticides continues. Despite leaving a trail of death behind them throughout the developing countries, they are extremely profitable to those industrial concerns in the North that manufacture them.

The transfer of dangerous industrial waste we produce, for example. There is not a single prefecture in Japan, not a single city or community in Canada, that would willingly volunteer to be a repository of nuclear or other toxic chemical waste. But we in the North are now transferring some of these to developing countries to park them there.

The whole issue of highly subsidized agricultural produce—at IDRC we do our best to encourage developing countries, through agricultural research, to learn more effective and productive ways to raise and produce food. In some instances this succeeds, as in Thailand which was able to open a good market in the European community with cassava pellets for livestock feed. Thailand was told to stop exporting, however, because they became too competitive for the subsidized, inefficient European farmers.

It is not simply the tariff and nontariff barriers, not simply in such issues as the Multi-Fiber Arrangement that we in the North are encouraging in the South. It is issues such as illustrated here, where we encourage the South to industrialize, to become more efficient, more productive, but then say: please don't transfer your products back to our country. Somehow you have to generate the foreign exchange to service your debt to us, but don't expect to do it by selling your products into our marketplaces. These are the kinds of inconsistencies that concern me very much and that I encourage the North to consider much more seriously.

I have just finished a study at IDRC using UNCTAD and other UN source data which indicates that at the present time the market penetration of manufactured goods from developing countries of the South in OECD countries is 3.4 percent. When we say "no" to the developing countries we are telling them that our highly industrial societies are so lacking in resiliency that we are unable to absorb 3.4 percent in total trade of manufacturing goods without suffering, while we expect the developing countries to accept 50 to 70 percent of their trade in the form of our value-added manufactured goods. I think there is a touch of hypocrisy here and these are the issues that should be discussed at a development forum.

OGATA: Thank you, Mr. Head.

RADCLIFFE: I would like to give an example of an innovative, social approach towards environmental issues.

OGATA: Yes, please.

RADCLIFFE: Thank you very much. I understand that we have representatives from the business community here and this is particularly directed to them. About a year ago, a very enlightened business person whose company was in the process

of building a new electric plant, stopped by our office to ask how he could pay for the emissions that the plant would put into the environment.

I am not an economist and I do not know how the figures were worked out, but the forecasters and the economists got together and worked out how many trees it would take to replace what the environment would absorb in emissions. Finally, this man gave us several million dollars to carry out a reforestation scheme in Guatemala.

Now this scheme is being carried out in several communities where it not only provides work for the people but, of course, in the long run gives them back their trees. So I would like to suggest there are many ways of going about development and this is one that the business community may want to consider.

OGATA: I understand that the tendency towards evaluating the environmental impact of aid projects at the development stage has become quite apparent as well as the need to constantly consider the environmental effects of aid projects. We need to connect assistance with the environment or development with the environment and to proceed with development while giving careful consideration to the environment. I think what we have just heard is a practical example of this need. Are there any other remarks about development and environmental protection?

QUESTION: I am Hashim Zain, a JICA participant from Sudan. I would like direct a comment to Mr. Watanabe concerning the role of the private sector in the development issues.

We frequently hear from donor countries, the World Bank, and the IMF that the private sector should play a positive role in the development issue. I am sure you are all aware that the private sector in both the industrial and the developing countries are merchants and traders who just sell and buy. They do not manufacture or produce. It is therefore not a productive sector and so you can not expect anything from them.

I believe that the international private sector should play a positive role in the development of the developing countries, in the same way that they are now doing in Eastern Europe which they are prepared to do because of its infrastructure, cheap labor, and market potential. This contrasts sharply with the developing countries.

The North, therefore, needs to encourage the private sector to invest in developing countries, so it can contribute positively to the development. Thank you.

OGATA: I think this may be a question of how to foster the development sector in developing countries. Prof. Watanabe, perhaps you'd like to comment.

WATANABE: This is a difficult problem, and I'm not very confident I can give a satisfactory answer. Looking at the Asian countries around us, we see in their long process of development the emergence of very active private-sector manufacturers. These companies have engaged in joint ventures with private-sector companies from

industrialized nations, and in the case of the ASEAN countries, have become a central force in their economic development. I am unfortunately not very familiar with the situation in Africa, but I suspect it is much as you have described it.

But, as Mr. Yamaguchi pointed out, private-sector corporations are obviously not charitable institutions. They aren't aid organizations. Whether oriented towards the short or the long term, the assumption must be that they are run on the principle of profit maximization. That means that developing countries must make an effort to ensure that conditions are favorable to their setting up operations. If they don't, then they must assume that private corporations will stay away.

Still, we shouldn't leave it at that. I think we need to be more active in coming up with ideas that will link up private companies with aid and economic cooperation programs in developing countries.

Japan, for example, has recently put forward an exciting new form of assistance which it calls the "New Aid Plan" or the "New General Plan for Asian Industrialization." Assistance under this plan works much in the same way as I have been advocating and is already in place in several ASEAN countries.

OGATA: Prof. Lakshman, you spoke earlier about direct investments in smaller private-sector companies. Would you like to comment on this issue?

LAKSHMAN: I have one comment in relation to private-sector involvement and one in relation to Mr. Head's comments about the environment.

I agree with comments from the audience that in many countries, no matter how much we may talk about the necessity of private-sector involvement, as yet we see no such adequately developed sector. In most developing countries, the policies that have been adopted do not improve the development of the domestic private sector in industry and agriculture. From available research, the evidence suggests that most foreign investors now going into third-world countries are doing so in the form of joint ventures.

In more recent times, since 1985, although there has been a greater involvement of Japanese foreign capital in Asian countries in the form of 100 percent subsidiaries, the dominant proportion of these activities are still in the form of joint ventures. There has to be a certain amount of development of industrial and agricultural capital—domestic capital—in these countries. In the Asian and NIEs countries there had been a certain amount of development of domestic private capital before foreign private capital became involved as a complementary, or supplementary, force.

In my presentation, therefore, I suggested a collaboration of three principle agents: foreign aid (without restriction on the infrastructure of finance and with part of the funds to be made directly available for productive activities in the agricultural industry), foreign donor capital, and private or state capital finance in developing countries themselves.

One experience JICA had with supporting these type of projects in my country was of establishing an infrastructure for funding some small agricultural export projects which also involved the private sector. JICA funding was made available to a small Japanese firm which was to set up activities in collaboration with a domestic partner. This is the type of joint venture I am focusing on.

I would also like to stress the need not to be ideologically deterministic on these issues. In developing countries private capital is not advanced. Why not try state capital, or develop an efficient para-state sector, or jointly with foreign capital? We can improve state enterprises to achieve the desired results. I would like to stop here on the issue of foreign funds.

I would next like to touch on the issue of environmental degradation and its cost to human life. This arises out of developed countries' methods of industrialization and is now being followed by some of the NIEs and ASEAN countries. We all realize the dangers involved in our methods of production, but do not yet fully appreciated the fact that we are living in a global system and that whatever happens in one corner of the world will very quickly effect everyone.

When people living in poverty in our countries demand equivalent living standards, we cannot refuse them on the grounds of environmental degradation. We must come up with alternatives to achieve equality in a less environmentally damaging manner, otherwise people will have no respect for the views expressed at these forums. Thank you very much.

OGATA: Ms. Surjaatmadja has a few words to say on the relationship between the public and private sectors.

SURJAATMADJA: I would just like to add to my colleagues' comments on official assistance, private-sector involvement, and their contribution to domestic capital in developing countries.

It is rather rare in my country to see the foreign private sectors directly contributing to domestic private small businesses. Official assistance contributed by development institutions such as World Bank and the OECF of Japan help the private sector extensively. This assistance may be in the form of soft loans to the developing country's government that can then be administered to small-holders, or the provision of facilities.

In Indonesia, for example, there are small-holders in the rubber plantation industries. After the Second World War, Indonesia was left in an extremely poor condition which resulted in a series of five-year plans. In the first five-year plan, a government initiative assisted by a World Bank loan gave land grants to these small rubber plant holders to assist rebuilding. The government established initial funds, sophisticated training, land clearing, and preparation. They demonstrated how to replant the sites, and, later after some financial success, the proceeds were distributed

among the small-holders. This is an extensive project that has been very successful in Indonesia. It is now in its fifth five-year and there are now four small-holder projects repeatedly provided for by the World Bank.

Another type of assistance comes through financing loans from the Japanese OECF. This is the so-called "two-step" loan. The funds are borrowed by the government and re-lent to the private sector through an Indonesian financial institution. The assistance is often directed to export-oriented business projects which promote our exports. This has also been successful. These are examples of how we help our private sector in Indonesia.

OGATA: We've heard an example from Indonesia on how two-step loans from the World Bank and the OECF have been very beneficial to small holders. This has, however, also raised the question of how to get money into the hands of small-holders. I wonder if we could get some comments on this, or if not, perhaps we could have some other issues raised.

QUESTION: My name is Takenaka. I am in my second year of Liberal Arts I at the University of Tokyo. My question concerns social inequity and social structures; two topics about which so much has already been said today. Social structures and social inequity are fundamental problems, and are intimately related to the development, the environment, and even the economic growth of developing nations. But the fact is that these issues are so strongly dependent on internal factors in developing nations, that—even though it is important from the point of view of industrialized nations that these social structures change—industrialized nations cannot tell developing nations to make changes without interfering in domestic affairs. The former governor of the Asian Development Bank raised this issue earlier, but I'd like to hear somebody from a developing nation and somebody from an industrialized nation address the question of whether or not industrialized nations can use ODA and other methods to effect changes in the social structure of developing nations.

OGATA: That's a very good question. We have made reference to social equity but have not really discussed the issue yet. Could we get our panelists to comment on this, particularly on whether government aid and other external devices are able to promote changes in a country's social structure? The request was to have somebody from an industrialized country and somebody from a developing country comment. How about starting with you, Dr. Lakshman?

LAKSHMAN: A question about equity and intervention has been raised. Previously, the inequality which prevailed in the developing countries was a question of their social structures and political mechanisms. This I can accept. The person who raised this question indicated that these structures had to change if a more equitable social system was to rise in these countries. I agree.

He continued by asking how could donor agencies assist in this respect without

interfering in domestic affairs? I would pose a question to that gentleman and to the audience: Are the developing countries today left to their own people? No, they are not. They are “interfered” with by multinational agencies. What are the World Bank structural adjustment policies? The IMF stabilization packages? Are these not “interventions”?

Last year there was a report prepared by the World Bank assessing its own activities in Africa. It concluded that the structural adjustment policies in Africa, and certain other countries, had done very well. The African UN Commission did not agree with this view and commissioned another study using the same statistical material. It concluded the World Bank had been extremely eclectic in choosing the statistical material, and had thus arrived at an untrue interpretation of the African situation after the implementation of the structural adjustment policies.

My point here is that there is intervention and that intervention is not of the right kind. If you are truly interested in creating equality, then an attempt should be made to make the situation better rather than worse than it is at the moment. The gentleman wanted a response from a third-world point of view and that is my response.

OGATA: Mr. Yamaguchi, could you speak from the point of view of the industrialized nations?

YAMAGUCHI: My only experiences have been in Asia and Latin America, so I can't really make any generalizations about all developing countries. And I think that some variation in policies are inevitable, given the different geopolitical positions countries find themselves in, their past histories, their natural environment, and other factors. So it's very difficult to generalize about this issue. Still, there are a few points I would like to bring up.

First, the opinion was expressed that when the World Bank, or IMF, gives opinions and makes demands regarding structural policies it is violating sovereignty. But globalization means that the economic sovereignty of any one country is extremely limited. This is not an issue only for developing countries. Take the negotiations between the United States and Japan. In the past this would have been considered a violation of economic sovereignty, or maybe even a violation of other, higher sovereign rights, but today it is done right out in the open. This, I think, is one of the results of internationalization and globalization.

So I think it is natural that the World Bank and the IMF, with their experience in so many different countries, should give advice regarding the most desirable economic policies for particular nations. The word “natural” may cause some misunderstandings, but I think countries should listen what they have to say.

One generalization I think we can make is that agricultural policy is at the heart of most economic policy in developing countries. The South American country of

Chile, for example, is known for being an “honor student” among cumulative debtor nations. What they did was to rethink their agricultural policies in light of the natural conditions Chile finds itself in. They became determined to find ways to add value to agriculture and they eliminated industrialization policies that would interfere with that. The reason Chile is so highly regarded among South American countries is that they first decided what, from the point of view of their country, would be the most desirable form of development, and then they formulated coherent economic policies designed to meet that goal.

Next is the issue of social justice. I have worked in Brazil, so I can say from my own experience that social justice is one of the biggest problems there is afflicting developing countries. The question is what we are talking about when we say “social justice.” The gaps in wealth in a country are obviously a major problem. Tax systems and foreign exchange regulations are designed to prevent both gaps in wealth and the flight of wealth to other countries. So an important factor is how fair a tax system can be developed. Another important question is how to eliminate corruption. These are factors which tend to pervert social justice. But above all, it is necessary to put the country in such a state that people can love it as their country.

My experiences working and traveling abroad have shown me that it doesn't matter how wonderful your economic policies are, if all the people living in a country are thinking about is how to get their wealth out, if they don't have pride in their country, the country is not going to grow. In short, I think that the key to economic development is whether or not the country has a firm set of values.

OGATA: Thank you very much. Yes, the gentleman over there...

QUESTION: My name is Toyone. I'm a researcher at the International Development Center. The woman from Ghana talked about helping countries to stand on their own feet, and I'd like to hear more comments about that. I agree with her that the core principle in development has to be self-help. I feel very strongly that the philosophy of self-help should be part of any discussion on the form that assistance should take in the future. Up to this point, that hasn't been the case, but I think it should be from here on out.

Although there are many examples of past aid encouraging self-help, there are also cases where the spirit of self-help was spoiled.

What I would like to ask is what sorts of things should be looked at if aid is to facilitate and stimulate the spirit of self-help. If possible, could we get responses from several different viewpoints?

OGATA: Why don't we take some more questions before we turn to the panel?

QUESTION: My name is Woury Diallo and I am from Senegal. Firstly, I am a little disappointed at what I have heard, referring to the theme of today's gathering. I was under the impression that we were talking here about North-South relationship,

its problems, and why should we raise the issue again? I think that this is the basic question that needs to be asked but I have the feeling we aren't answering it.

In a recent report by the World Bank, the challenge for the world in regard to the North-South situation is poverty in the South. What is the "South"? From what I have heard, the "South" seems to be some of the Western Pacific Rim countries. To me, dialogue on the North-South issue is being raised again because the United Nations said recently: The 1980s were years of lost development. But I ask: for whom? If we answer the question, then I think the reason for raising this North-South question again will be discovered.

I think we should focus on the role Japan should play in North-South relations, given that it is now the world's second most economically-powerful nation. My question is directed to Mr. Watanabe and Mr. Yamaguchi. I would like them to elaborate on the issue of North-South relations with regard to the true south—Latin America, sub-Saharan Africa—and what should be done to alleviate their poverty. Thank you.
OGATA: The question has been asked if the reason we are bringing up the North-South issue again is because the poverty problem has grown worse. In this light, the speaker asked what Japan's policies and thinking are on alleviating poverty. There is one more question out there, so why don't we take that and then ask our panelists to respond?

QUESTION: My name is Nomura. I work in the Agency of Industrial Science and Technology of MITI. I would like to hear some opinions on some specific problems—or perhaps "incidents" is a better word. Japanese ODA has gotten a bad reputation lately, and is especially criticized for adding to the damage done to the environment. The specific incident I am thinking of is the problem with the Narmada Dam in India. Another one that comes to mind is a dam project in Indonesia where they started to build up water in the dam before the residents had been relocated, effectively destroying their lifestyles.

Why do these kinds of problems occur? I understand there are some who say that they are part and parcel of ODA and there is little to be done to remedy the situation, but I think that other methods could be employed which would prevent things like this from happening. I'd be interested in hearing suggestions on how the people involved can resolve these kinds of problems. Since we have the panelist from Indonesia here with us today, I'd like to hear her opinion on the matter, and would also like some comments from Prof. Watanabe if he has any.

OGATA: We'll stop taking questions here and first turn to Ms. Surjaatmadja for comments, if any, on environmental problems in Indonesia, particular the environmental destruction caused by a dam built with Japanese aid. And since the importance of the poverty issue has also been pointed out, could you tell us how you are working to alleviate poverty in Indonesia?

SURJAATMADJA: As highlighted by the dam project, a common problem with ODA assistance is the potential degradation of the environment. In Indonesia, all projects, whether assisted by foreign donors or government finance, require environmental studies to be carried out. Although development for Indonesia is essential, we do not allow any project that will have a negative impact on our environment.

Let us consider, for example, a dam which was to develop the area around the island on Sumatra. The power that was to be generated by the dam was vital to the economy and to the people living in that area. The environment was considered at great length with both local studies and studies carried out by the foreign assistance experts. In this way, we do not allow any projects that would be detrimental to the environment.

With regard to the alleviation of poverty, we have extensive programs and activities to find poverty pockets in various regional districts. Firstly, we identify regional poverty. Indonesia consists of a large area of many thousands of islands, both large and small, so we identify these areas through the district governments. After we have identified the areas, we carry out research into the problems to find out whether they result from a lack of social services, or the absence of economic infrastructure, and so on.

There is also poverty criteria based on the level of consumption of the people in the area, the housing conditions, educational facilities and availability, clinical facilities, and the infrastructure such as available water supply. We try to identify these pockets of poverty by measuring the available facilities for these basic needs. Once they have been identified we can provide programs.

These programs are recommended by the local district authorities which are administered through the provincial governor to the central government. The programs are designed in such a way as to provide the local areas with financial assistance and expertise so they may help themselves. There are training facilities provided, such as for women and clinic staff to teach them to minister themselves. These clinics are known as "Pushiando" health posts and as doctors are scarce in Indonesia they provide the basic health needs.

These are the type of activities undertaken by the central government to alleviate poverty in Indonesia. The activities are extensive, and as there are many different areas in need, the most serious cases are identified and prioritized. Thank you.

OGATA: Prof. Watanabe, your comments.

WATANABE: The question of how to help self-help is quite philosophical and, I have to admit, quite difficult to answer. We have talked a lot about social justice and equity, but I think they must be basically understood as domestic issues. For example, the Western Pacific Rim country with the most uneven distribution of income

is the Philippines, and this clearly has to do with the country's land system.

The question of how to give equal educational opportunities is also a domestic question.

An issue that is often brought up is that of foreign private-sector companies who come in and set up giant manufacturing facilities, but only in the cities. This leads to gaps between urban and rural areas, and between large corporations and small corporations. I think this is a fairly accurate description of what goes on. But what are channeling foreign companies in those directions are the policies of developing countries regarding industrialization and the introduction of foreign capital. The options of how to channel foreign capital are all in the hands of the developing countries themselves, at least that is virtually always the case in the Western Pacific Rim region that I deal with.

So from my point of view, attempting to blame the outside world for one's own loss of social equity shows a lack of desire to stand on one's own feet. Asian countries, however, are now working very hard to alleviate these problems. The issue of loans to small holders in Indonesia was brought up a while back, and this is something that Malaysia has gone even further with. In Thailand they have embarked on a decentralization program, trying to disperse the economic power that has concentrated in Bangkok out into other areas of the country. They are also developing policies to foster industry in agricultural communities. And getting back to the example of foreign capital, efforts are now being made to attract more investment in smaller corporations by lowering the minimum value of investments accepted. This policy is now starting to bear fruit.

But to get back to the point, the issue of equity is mostly a matter of the country's systems, ideology, culture, and other internal factors. Efforts to solve these problems are what self-help is all about.

Something I have been thinking while listening to today's discussion—and I know I'm going to ruffle some feathers by saying this—is that "growth with equity" is only an ideal. Often times growth is "versus equity," and there is no reason why this contradiction should be disappearing. In fact, can we not say it's one of the problems economics has wrestled with for the past 200 years? At any rate, I think it is safe to say that while advanced industrialized countries are societies that have achieved "growth with equity," we need to recognize that it took a long history and a long period of time to put those conditions in place.

To speak more generally, the results that we want to see are not that easily obtainable. They require a tremendous amount of time and effort.

OGATA: Next we'd like to hear from Mr. Radcliffe.

RADCLIFFE: In attempting to address the issue of self-help, what I have heard from many of you today is that the assistance provided is not really relevant to the

requirements in some of the countries from which you have come.

How do we arrive at assistance that is relevant to a community? First of all we must have a social consciousness and then through a participant approach, involving those for whom the development, resources, and assistance is being provided, then we can work on establishing self-help activities. Without this, it will simply not happen. That is my honest belief.

OGATA: One of our participants brought it to our attention that the real topic of today's symposium is what direction development assistance should take in the 1990s, and asked for better answers to this question, especially in terms of what Japan is going to do.

Something I would like to note is that JICA took the initiative and last year organized a research committee to look into the question of poverty. I happen to have chaired that committee, and I believe our report is already available in Japanese. An English version should also be out shortly. As I understand it, the committee was organized because of a deep resolve on the part of JICA that Japanese assistance programs should take a more head-on approach in addressing the problem of poverty.

I don't intend to go into all the conclusions reached, but I would like to make a couple of comments. First, we found a need to create and implement assistance programs that are located close to where the general population of developing countries live, programs that will bring direct benefits to these people. In particular, some of the things suggested were that to set aside a greater budget for programs funded with grants, to develop programs that will involve local people, to build lots of small-scale facilities, and, when implementing projects, to provide more support for recurring costs.

This kind of assistance can't be rendered from far away or from outside, it requires close relations with the people of developing countries. One of the things we emphasized in the reports was the need to bring together the private sector and general population in developing nations with regional experts and aid experts in Japan.

In the process of writing this report, committee members visited countries in Africa and Asia to get first-hand knowledge of the situation there.

I would like to urge that Japanese assistance move in this direction, not as the chairman of this symposium, but as an individual participant stating her wishes. And I want to let you know that there is a movement in this direction in Japan.

The Government of Canada is also heavily involved in the alleviation of poverty, and so in closing I would like to ask Mr. Head for some comments on the problems of poverty and social equity. Since we are running out of time, I'd like to wrap this session up after Mr. Head's comments.

HEAD: I would like to suggest that one of the difficulties that always arises in the examination of these issues is one of vocabulary. If, as the economists tell us, there

is now a single global economy, there is an equity issue here. If, as the physical scientists tell us, there is a single biosphere, there is an equity issue here. If, as religious leaders have told us through millennia, there is a single human species, certainly there is an equity issue here. None of us—North or South, Western Pacific or Eastern Pacific—must ever forget that we are all interconnected. These equitable links must be recognized, understood, and catered to.

If, as I firmly believe, development is investment—not simply in the futures of the developing countries but of all of us—then we must recognize that there are certain criteria, certain ingredients that must be present. One of those criteria is certainly that of discipline. We must accept that there is a requirement to stay with it, to experiment with it, and to anticipate that by a careful scientific application the results of what we are doing will, at least, approach the goals that we are seeking.

We should also remind ourselves that we are all very new at this business. The Colombo Plan itself is not yet 50 years old. The whole issue of development is rather novel. Thus, in our desire, and in our impatience to ensure improvement, we in the North, in the donor community, must accept that we really don't know that much about it. Equally, the citizens of the developing countries must recognize that they have been launched, not of their own volition, not of their own decision, into a world about which, in many instances, they had little to say.

One does not have to be Marxist to recall that it was only 150 years ago that there was no real economic, or social, value system division, in terms of human benefits between North and South. Much of this occurred as the result of the industrial revolution which occurred initially in Europe and then in North America. We are now scrambling to overcome the inequities that much of this introduced into the world.

We should realize that if in 50 years we have not accomplished all that we have hoped to do, at the very least, history and historians will indicate that this desire and recognition on the part of the world as a whole—not simply the North—to assist one another in a major organized fashion is one of the grandest gestures that the human species has ever engaged in.

As we engage in it, however, I would like to suggest that we not overlook the ultimate goal: the “what” goal. This goal must be one of human dignity. Notwithstanding the apparent geographic distances in Sub-Saharan Africa, in the past 10 years, the aggregate of every single social and economic indicator showed there was a drop. A drop in nutrition, a drop in education, a drop in employment. Sub-Saharan Africa is a very important part of our world.

I thank you for allowing me to conclude. I have not said much about poverty, but I would like to leave you with a word to all of us on the donor end. I would like to suggest that the one element that we must forsake is one that I would call “paternalism,” or in some instances even a “patronizing” attitude, towards the

development efforts in the developing countries themselves. Allow me to indicate some evidence of this *my concluding remarks*.

IDRC is engaging in the support of indigenous research activities in the developing countries to enhance the *indigenous scientific competence*. I believe the major difference between the North and the South is in the ability to use technology. Although technologies from the North are not necessarily right for the needs of the South, however, I believe that this is what causes the differences in the standard of living.

IDRC is providing this assistance in the form of agricultural research support in Sub-Saharan Africa. It is now generally accepted that there are an adequate number of competent scientific researchers of African origin in place throughout the region. There may not be an even distribution, but they are in place. It is also accepted that the amount of money available to support agricultural research, so important in Sub-Saharan Africa, is adequate. It is about U.S. \$60 million a year.

Here is the catch: Two-thirds of that sum of money pays the salaries of expatriate agricultural scientists from the North—and that is wrong. That is what patronization means. It means that we in the North do not have confidence that the South can take charge of its own destiny and its own future. Yet we must.

In concluding, I would like to say that we now live in a world in which we are all vulnerable. There is a mutuality of vulnerability and that is a major equity issue. If we cannot keep firmly in mind that what happens in one corner of the globe affects us all elsewhere, that our ultimate goal must be enhanced human dignity, then we will certainly understand in the next generation. We will certainly understand what vulnerability is all about, and that would be very sad.

The fact that Japan has taken this enlightened role and held a symposium of this sort, and that it has followed the enlightened policies of former Prime Minister Nakasone and since considerably enhanced its ODA contributions is an act that I would like to salute. Thank you for giving me the opportunity to be here with you. **OGATA:** Thank you very much. It seems that Mr. Head has provided us with our summation. We are out of time, and I feel myself quite unable to summarize a three-and-a-half hour discussion. I would just like to comment on the extremely wide-ranging and profound discussion we have had today. Our focus has been not only on economic policies, but on social policies, justice issues, and poverty issues. I would like to offer my deepest thanks for all of your contributions today.

Once again, let me express my gratitude for this morning's keynote addresses and the comments from our panelists and members of the audience. Our discussion today has provided the Japanese in attendance today with a chance to deepen their awareness of the importance of international development cooperation, and will also help further this awareness among the Japanese public as a whole. Thank you for being such an attentive audience.

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: "A friendly hand can speak louder than words"
by Ms. Sachiko SANO (Housewife)

Runners-up: "International exchange—love with a smile"
by Ms. Maya WATANABE (Housewife)

"International cooperation—their best deserves our best!"
by Mr. Kenji UCHIDA (Signmaker)

"The world—one sky, one heart"
by Ms. Hatsuyo SOTOBE (Housewife)

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

The prize-winning entries, which were selected from among 3772 entries across the country, will be used as slogans for campaign posters and various commemorative events during the coming year.

