

Sustainable Development and International Development Cooperation Memo 9

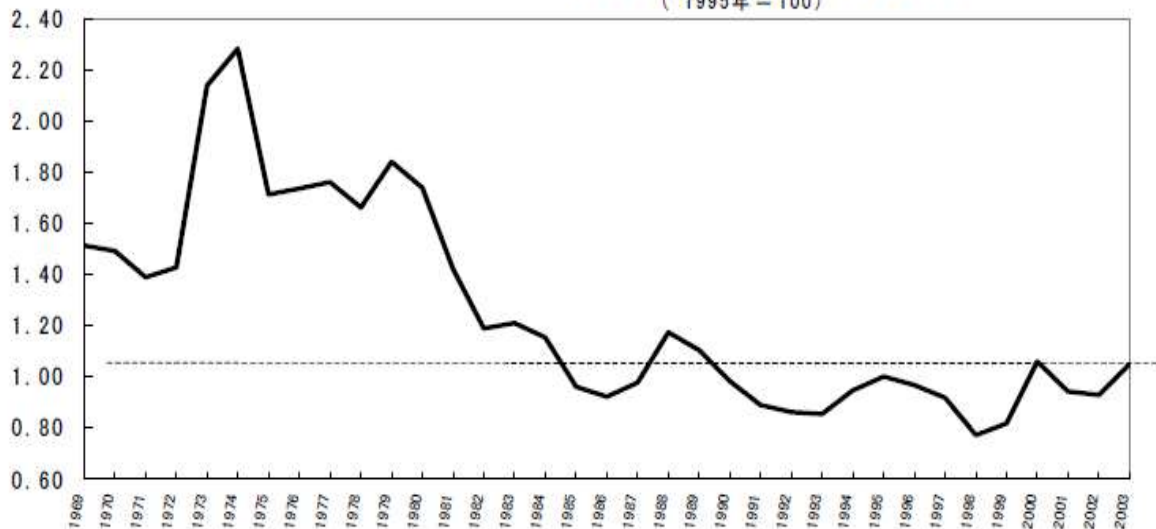
Part 3: SD and Developed Countries/Developing Countries

1. From Import Substituting Industrialization to Export Oriented Industrialization

- Limits of Import Substituting Industrialization
- Prebisch-Singer Thesis: The terms of trade between primary products and manufactured goods tend to deteriorate over time.

Historical trends of terms of trade

一次産品交易条件の推移 (IMF-IFSより作成)
一次産品価格指数 / 先進国消費者物価指数
(1995年 = 100)



- Export Oriented Industrialization
- Export(Trade) ⇒ FDI (Foreign Direct Investment) ⇒ ODA

Total Supply: $Y = C + S$ $Y = C + S + GT + IM$

Total Demand: $Y = C + I$ $Y = C + I + GE + EX$

Macro balance: $I = S$ $I - S = (GE - GT) + (EX - IM)$

- ODA と OOF

ODA --- bilateral ODA --- Grant (Grant + TC) + Loan

---- Multilateral ODA

Definition of ODA: Official Development Aid, OECD/DAC

Grants or Loans to countries and territories on Part I of the DAC List of Aid Recipients (developing countries) which are: (a) undertaken by the official sector; (b) with promotion of economic development and welfare as the main objective; (c) at concessional financial terms [if a loan, having a Grant Element (q.v.) of at least 25 per cent]. In addition to financial flows, Technical Co-operation (q.v.) is included in aid. Grants, Loans and credits for military purposes are excluded. For the treatment of the forgiveness of Loans originally extended for military purposes, see Notes

on Definitions and Measurement below. Transfer payments to private individuals (e.g. pensions, reparations or insurance payouts) are in general not counted.

2. WW II and the present world

- F. D. Roosevelt: Four Freedom Speech, January 6, 1941:

“The first is freedom of speech and expression –everywhere in the world.

The second is freedom of every person to worship God in his own way –everywhere in the world.

The third is freedom from want, which, translated into world terms, means economic understandings which will secure to every nation a healthy peacetime life for its inhabitants – everywhere in the world.

The fourth is freedom from fear, which, translated into world terms, means a world-wide reduction of armaments to such a point and in such a thorough fashion that no nation will be in a position to commit an act of physical aggression against any neighbor –anywhere in the world.

That is no vision of a distant millennium. It is a definite basis for a kind of world attainable in our own time and generation."

- Bretton Woods System: IMF and World Bank

Preparing to rebuild the international economic system as World War II was still raging, 730 delegates from all 44 Allied nations gathered at the Mount Washington Hotel in Bretton Woods, New Hampshire, United States, for the United Nations Monetary and Financial Conference. The delegates deliberated upon and signed the Bretton Woods Agreements during the first three weeks of July 1944.

Setting up a system of rules, institutions, and procedures to regulate the international monetary system, the planners at Bretton Woods established the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD), which today is part of the World Bank Group. These organizations became operational in 1945 after a sufficient number of countries had ratified the agreement.

- H. S. Truman:

Marshall Plan: European Recovery Program

Point Four, 1949

“Fourth, we must embark on a bold new program for making the benefits of our scientific advances and industrial progress available for the improvement and growth of underdeveloped areas”

- 1950s • 1960s Big push

According to the “big push” theory of economic development, publicly coordinated investment can break the underdevelopment trap by helping economies overcome deficiencies in private incentives that prevent firms from adopting modern production techniques and achieving scale economies. These scale economies, in turn, create demand spillovers, increase market size, and theoretically generate a self-sustaining growth path that allows the economy to move to a Pareto preferred Nash equilibrium where it is a mutual best response for economic actors to choose large-scale industrialization over agriculture and small-scale production. The big push literature, originated by Rosenstein-Rodan [1943, 1961], was initially motivated by the postwar reconstruction of Eastern Europe. The theory subsequently appeared to have had limited empirical application... Scholars have found few real-world examples of such an infusion of investment helping to “push” an economy to high-level industrialization equilibrium.

Loosely, high development theory can be described as the view that development is a virtuous circle driven by external economies -- that is, that modernization breeds modernization. Some countries, according to this view, remain underdeveloped because they have failed to get this virtuous circle going, and thus remain stuck in a low level trap. Such a view implies a powerful case for government activism as a way of breaking out of this trap.

In most versions of high development theory, the self-reinforcement came from an interaction between economies of scale at the level of the individual producer and the size of the market. Crucial to this interaction was some form of economic dualism, in which "traditional" production paid lower wages and/or participated in the market less than the modern sector. The story then went something like this: modern methods of production are potentially more productive than traditional ones, but their productivity edge is large enough to compensate for the necessity of paying higher wages only if the market is large enough. But the size of the market depends on the extent to which modern techniques are adopted, because workers in the modern sector earn higher wages and/or participate in the market economy more than traditional workers. So if modernization can be gotten started on a sufficiently large scale, it will be self-sustaining, but it is possible for an economy to get caught in a trap in which the process never gets going.

- ## Aid Institutions

Bretton Woods Institutions: IMF and World Bank (IBRD, IDA, IFC, MEGA)

UNDP+UNICEF+UNHCR+FAO+ILO+UNEP+WHO++

Bilateral Organization

OECD/DAC

UK: DFID. Germany: GTZ, KfW. Sweden: SIDA. Norway: NORAD. Denmark: DANIDA,
Swiss: SDC. USA: USAID, MCA. Canada: CIDA. Australia: AusAID

History: World

1945 Bretton Woods Convention, IMF and World Bank (IBRD)

1945 UN

1946 UNICEF

1947 Marshall Plan

1950 Colombo Plan for Cooperative Economic Development in South and Southeast Asia

1961 OECD, OECD/DAC, USAID, UN Decade of Development (16th UN General Assembly)

1964 1st UNCTAD

1966 UNDP, ADB

1967 ASEAN

1969 Pearson Report, Partners on Development

1970 UN Tinbergen Report

1971 Nixon shock

1972 Stockholm Conference on the Human Environment, DAC definition of ODA

1978 WB 1st WDR

1979 Brant Commission Report

1980 WB 1st SAL

1985 Plaza Accord

1987 Brundtland Report

1989 Collapse of Berlin Wall

1990 UNDP 1st HDR

1991 Soviet Union collapses

1992 UNCED

1995 WTO, former GATT

1996 OECD/DAC, Development Partners Strategy

1997 Asian Currency Crisis, UNFCCC-Kyoto Protocol

2000 MDGs

2002 Monterrey Conference, Johannesburg Summit

2003 Rome High Level Forum on Harmonization

2005 Paris High Level Forum on Aid Effectiveness

Historical Roots: Japan

1954 Japan participate in the Colombo Plan, Japan-Burma Peace Treaty and Agreement on Reparation and Economic Cooperation
1956 Japan-Philippines Agreement on Reparation
1958 Japan Indonesia Peace Treaty and Agreement on Reparation and Economic Cooperation
1961 OECF
1962 OTCA
1964 Japan joins OECD
1974 JICA
1977 Fukuda Doctrine
1978 1st Medium Target of ODA
1989 Japan becomes top donor
1992 ODA Charter
1993 TICAD 1
1997 Fiscal Structural Reform Act
1999 JBIC
2003 New ODA Charter
2008 JICA

Yen Loan: OECF-JBIC-JICA

1961 OECF
1999 JBIC
2008 JICA (New)

Technical Cooperation: OTCA-JICA

1962 OTCA
1974 JICA
2008 JICA (New)

Grant

MOFA: 1992 ODA Charter
2003 New ODA Charter
2008 JICA (New)

References

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Matsuoka, S. and A. Kuchiki eds. (2003), *IDE Spot Survey: Social Capacity Development for Environmental Management in Asia: Japan's Environmental Cooperation after Johannesburg Summit 2002*, Institute of Development Economics
<http://www.ide.go.jp/English/Publish/Download/Spot/24.html>

Table 1 Extreme Poverty Population and Ratio in Asia and Sub Saharan Africa

	1981		1984		1987		1990		1993		1996		1999		2002a	
	100m	%	100m	%	100m	%	100m	%	100m	%	100m	%	100m	%	100m	%
E. Asia &	8.0	57.7	5.6	38.9	4.3	28.0	4.7	29.6	4.2	24.9	2.9	16.6	2.8	15.7	2.1	11.6

Pacific									
S. Asia	4.8 51.5	4.6 46.8	4.7 45.0	4.6 41.3	4.8 40.1	4.6 36.6	4.3 32.2	4.4 31.2	
SSA	1.6 41.6	2.0 46.3	2.2 46.8	2.3 44.6	2.4 44.0	2.7 45.6	2.9 45.7	3.0 44.0	
World	14.8 40.4	12.8 32.8	11.7 28.4	12.2 27.9	12.1 26.3	11.0 22.8	11.0 21.8	10.2 19.4	

Note: E. Asia & Pacific does not include the following countries and region. Japan, Hong Kong, and Singapore.

Source: World Development Indicators [2006]

Table 2 Population Growth Ratio in Asia and SSA

		1960		1970		1980		1990		2000
E. Asia & Pacific	Pop. (100M)	9.0		11.2		13.6		16.0		18.0
	Growth Ratio (%)		2.2		2.2		2.0		1.1	
S. Asia	Pop. (100M)	5.6		7.1		9.0		11.1		13.5
	G.R. (%)		2.0		2.0		2.0		2.0	
SSA	Pop. (100M)	2.3		2.9		3.9		5.2		6.7
	G.R. (%)		2.6		3.0		3.0		2.9	
World	Pop. (100M)	30.2		36.7		44.2		52.4		60.7
	G.R. (%)		1.9		2.0		2.0		1.1	

Source: World Development Indicators database (<http://www.worldbank.org/>)

Table 3 Industrial GDP Ratio in Asia and SSA

		1960	1970	1980	1990	2000	2005
E. Asia & Pacific	Agriculture	31.4	32.9	24.4	20.0	12.6	13.0
	Manufacture	30.5	32.5	42.5	40.3	46.0	45.0
	Service	38.1	34.6	33.0	39.8	41.4	42.0
S. Asia	A.	45.8	44.8	38.0	30.5	25.1	19.0
	M.	17.6	19.9	23.8	26.6	26.2	27.0
	S.	36.6	35.3	38.2	42.8	48.8	54.0
SSA	A.	27.1	21.0	17.6	18.1	17.0	17.0
	M.	28.2	29.3	38.2	34.2	30.0	32.0
	S.	45.4	49.7	44.2	48.0	53.1	51.0

Source: World Development Indicators database (<http://www.worldbank.org/>)

Schedule

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