

Inclusive Industrial Development and Development Aid of Japan
– New opportunities for pro-poor regional cooperation through inclusive business
in the Mekong region

Go Shimada¹

Associate Professor, University of Shizuoka

Visiting Scholar, Columbia University

shimada.go@gmail.com, gs2774@columbia.edu

Summary. – This paper aims to analyze the factors that have made the economic growth of Japan inclusive in the post-World War II period. The factors identified in this paper are: (1) the GHQ policy to transition Japan from the old regime to a democratic, non-autocratic and non-military country; (2) inclusive industrial development, especially through productivity movement, transferring the relationship with labor from confrontational to constructive; and (3) social security policy, such as UHC (Universal Health Care), to protect people from poverty and starvation, and to improve living standards. These factors are reflected in Japanese ODA policy on poverty reduction. This paper focuses mainly on inclusive industrial development because this is one aspect that East Asian countries have in common, and a good common ground to consider possible future collaboration among East Asian countries to reduce poverty in the region. For future possible collaboration among Japan, China and South Korea, this paper proposes the “horizontal collaboration” approaches. In horizontal collaboration, each donor will implement projects independently, but in parallel under the coordination of the ADB. The projects could be implemented geographically in any sector. The new programs and projects should be implemented in a “starting from small to grow bigger” approach (or a “gradual” approach). This paper proposes to start from an exchange of ideas, good practices, and history, among staff members of donor agencies. If a project starts, then rigorous impact evaluation should be implemented to scale in the future. The ADB should lead the entire process as a neutral partner of all the East Asian countries and donor agencies.

Keywords: Poverty Reduction, Official Development Aid, Industrial Policy, Kaizen

JEL: N15, L20, O14, O21, O53

Introduction

¹ I would like to thank Armin Bauer, Shunji Matsuoka, Li Xiaofun, Lim Wonhuk and other participants to the seminar held in Manila and Beijing for their insightful comments for the earlier version of this paper.

In 2015, Japan approved the Development Cooperation Charter, revising the existing ODA (Official Development Aid) charter. The old ODA charter was decided by the Cabinet in 1992 and revised in 2003. Then, what is the core of the new Charter or Japan's ODA policy in terms of poverty reduction? Does Japan's ODA policy have its foundation on Japan's own history of reducing poverty after the Second World War (WWII)? What should be Japan's strategy to reduce poverty in Asia? The aim of this paper is to tackle these questions.

This paper is constructed as follows. This paper will start by examining what Japan's experience of economic growth and poverty reduction after the WWII is in the next section. Then, in the second section, Japan's aid policy and programs will be discussed focusing on how the policy reflects Japan's own history of economic development. Finally, some policy recommendations will be made for future collaboration among East Asian Countries.

1. Japan's experience in poverty reduction and making growth more inclusive

As the World Bank (1993) discussed, East Asia, including Japan, has been known for its record of high and sustained economic growth. This is also characterized by highly equal income distributions (Birdsall and Sabot 1993, Page 1994). Then, how Japan did reduce poverty in its history, especially after WWII? Actually, it is quite difficult to track the record of poverty reduction with the government data in the case of Japan. According to Abe (2016), there is no long-term time series data on poverty in Japan. There was no official definition of the poverty line on much social consensus on the definition until 2009. The Ministry of Welfare published the estimated poverty rate from 1953 to 1965 based on a comprehensive survey of living conditions. The Ministry terminated its publication in the mid-1960s, as it was thought that poverty was no longer an issue in Japan.²

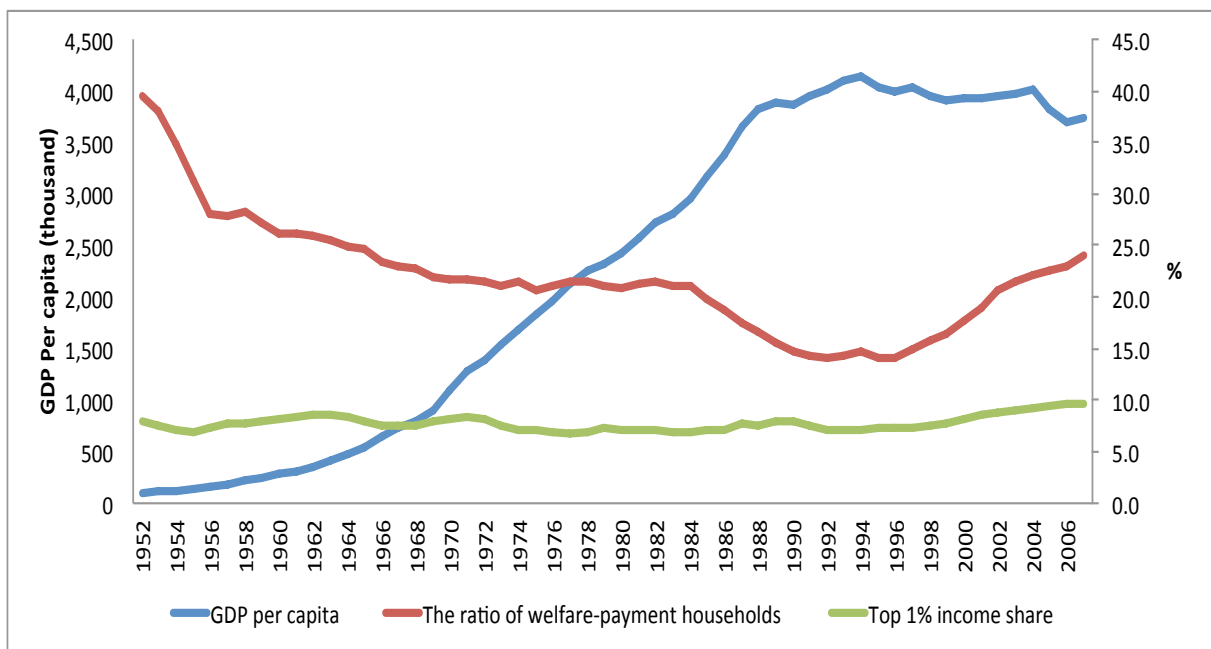
Therefore, instead of the poverty ratio, this paper uses "the ratio of households on

² Some academic papers have estimated the poverty rate. For instance, Otake (2003) estimated that the Gini coefficient very rapidly improved, especially in the 1960s. The coefficient was 0.31 in 1963, and it became 0.25 in 1971.

welfare.” Even if this data is technically not very precise to grasp the poverty ratio, at least it can show us the trend of poverty over time. This figure is not very precise because not all the people in poverty receive welfare. If there were “the poverty ratio” data in Japan, then “the households on welfare” data would not perfectly match it.

As shown in Table 1, as the GDP per capita increased, the number of households on welfare rapidly decreased from around 40% in 1952 to around 20% in the mid-1970s. This figure once dropped to less than 15% in the early 1990s. However, as GDP per capita stagnated, recently the ratio bounced back. This indicates that inequality has widened in Japan. During this period, the top 1% income share has been stable (or very gradually decreasing). Therefore, it appears that Japan’s economic growth was pro-poor growth, especially during the rapid growth period from the 1960s to the 1980s.

Table 1: GDP per capita and households on welfare of Japan since 1952



(Source: Author, based on the data from the Government of Japan)

Then, a question comes to our mind: what are the factors contributing to the pro-poor growth of Japan in the post-WWII period? It seems there are three major factors: (1) the GHQ (General Headquarters) policy; (2) inclusive industrial policy; and (3) social

security policy.

(1) The GHQ policy

The GHQ policy had a huge impact on how Japan recovered from the devastation of WW II. The GHQ, especially the GS (Government Section), had a clear policy to transform Japan from the old regime to a democratic, non-autocratic and non-military country. The old systems that GHQ considered necessary to change were: (1) political system and bureaucracy; (2) conglomerates (*zaibatsu*) which were controlled by family-owned holding companies; and (3) landlordism. These were considered to support Japan's militarism during the war.

Based on such notions, as democratic reforms, the GHQ launched a series of policies to: (a) purge leaders and public officials who were responsible for the war; (b) abolish the internal security law, giving freedom of expression to the mass media, political parties and organizations; (c) dissolve conglomerates and trusts; and (d) reform land ownership.³ These policies changed the political balance between the existing old regime and leftist political parties, small and medium enterprises, and labor movements (Tsunekawa 2010). These changes had a huge influence on the industrial policy, which will be discussed next, as an essence of Japan's inclusive economic growth in the post-war period.

The GS of GHQ was the hub for making these policies. A lot of the *New Dealers*, who participated the New Deal of President Roosevelt worked in the GS.⁴ These include: Courtney Whitney (Chief of the Government Section), Charles Louis Kades (Chief and Deputy Chief of the Government Section), and Thomas Arthur Bisson (Top Economic Analyst).⁵ The occupation policies strongly reflect their political and economic views. Further, it had strong influence on industrial policies in Japan, as we will review in the

³ Land was confiscated in 1946 and 1947. This land reform equalized income inequality and expanded the middle class a lot.

⁴ In his memoir, former Prime Minister Yoshida Shigeru called them "radical elements," and mentioned that they used Japan as a laboratory for testing their theories. Mr. Yoshida singled out T.A. Bisson for special criticism (Schonberger 1980).

⁵ Bisson was one of the main architects of the dissolution of conglomerates. After going back to the United States, he held a post at UC Berkley. He encountered the McCarren committee, which accused him of a connection with communism.

next section.

(2) Inclusive industrial policy⁶

After the war, Japan suffered hyperinflation. There are two reasons. First, Japan's production capacity was totally destroyed by bombing during the war, as the following table shows.⁷ Due to this supply side problem, almost no products were available in the market, and prices went up. One of the policy priorities, therefore, was to increase production to bring basic food and necessary goods to people and to stabilize inflation. Second, money supply increased, monetizing the huge stock of war debts. Then, Japan was forced to adopt austerity measures, called the Dodge Plan, by the United States.

Table 2: Indices of Industrial Production, 1946-47

Period	SCAP Index (1930-44=100)	United Nations Index (1937=100)
1946	31.8	19
January	17.7	11
August	35.9	22
December	38.1	23
1947	38.8*	25
January	33.6	20
August	40.0	25
December	-	27

* First eight months only.

(Source: Japanese Economics Statistics, GHQ, SCAP (Supreme Commander for the Allied Powers), September 1947, pp7-9; and Monthly Bulletin of Statistics, United Nations, February 1948, p26 as quoted by Bisson (1949))

During the same period, the dissolution of conglomerated was implemented. Bisson, the top economic analyst of the GS of the GHQ, thought that during the war Japanese cabinets were largely controlled by conglomerates and industrial capitalists (Schonberg 1980). In 1947, the GHQ required the stock owned by the conglomerates' holding

⁶ For details of the discussion of this section, please see Shimada (forthcoming).

⁷ The official SCAP index is based on the low 1930-34 levels of production output. Bisson (1949:104) mentioned that the UN index is a better measurement since Japan needs to reach at least the 1937 level of production to become economically self-supporting.

companies to be sold to the general public.⁸ At the same time, the GHQ adopted other related policies as well, such as: establishment of an SME agency to support new SMEs and help them compete with the erstwhile-conglomerate companies; enforce antimonopoly laws in 1947; and establish Japan National Finance Corporation for SMEs in 1953 to support SMEs financially.

Even if production increase was the policy priority in Japan, the labor movement became very active soon after the war. This was also related to the GHQ policy mentioned above. The GHQ released communist political leaders such as *Tokuda Kyuichi* from prison as a part of policies to give freedom of expression to mass media, political parties, and organizations. As soon as they were released, they got popular support.⁹ At the same time, Article 28 of the Constitution of Japan promulgated in November 1946, guaranteed the three rights of work (The right of workers to organize, to bargain, and to act collectively).

Against the GHQ's intentions, the labor movement became too active and radical for them.¹⁰ With the establishment of the People's Republic of China in 1949 and the start of the Cold War between the US and the Soviet Union, the GHQ changed its stance on the labor movement, and tried to repress it.¹¹ However, the labor movement continued to spread all over Japan. As the labor movement became stronger, the conflict between the government and labor movement got harder day-by-day. In 1950, the GHQ started

⁸ Bisson regarded the hyperinflation Japan suffered during this period as a result of conscious and deliberate policies of conglomerates and bureaucrats. The various taxes against big stockholders became meaningless with a devalued yen. Further, he argued the inflation raised stock valuation of those companies, generating more gains (Schonberger 1980)

⁹ Bisson (1949:44) mentioned that: "The Communists were the one group that could point to a consistent record of opposition to Japanese militarism and the war. This factor helped them to muster popular support as soon as their leaders were released from prison."

¹⁰ Bisson (1949:74) recalled that: "...the occupant authorities became increasingly disturbed by the 'left-wing' character of the programs sponsored by the new political parties. And after the first election in April 1946, the emphasis of occupant policy was placed on controlling rather than encouraging the growth of the popular movement."

¹¹ Because of this change in policy, as Dower (2000) described, communist leaders, such as Tokuda, were embarrassed. Because when they are released in October 1945, he read "Appeal to the People" that said: "We express our deepest gratitude that the occupation of Japan by the Allied forces, dedicated to liberating the world from fascism and militarism, has opened the way for the democratic revolution in Japan." Later, communists were forced to justify his statement, saying that the reference to "Allies" included the Soviet Union.

its red purge of government and journalism, as well as private companies (For a detail discussion on this topic, please refer to Shimada forthcoming).

Private companies were under pressure to increase production to tackle the shortage of all kinds of goods from basic food to steel in the market and to increase productivity with less labor because of the strong labor union movement. Otherwise, the shortage of labor could impede any production increase.

To develop its economy, Japan developed an industrial policy called the *priority production system*, and made huge investment in infrastructure. Both of these policy measures were the basis of Japan's high economic growth. These policies, however, do not explain why Japan's economic recovery after the war was inclusive. Economic growth does not necessarily become inclusive. The keys to understanding the inclusiveness were the tension with the labor union, and the introduction of the productivity movement (later called *Kaizen*, as a result of the tension. (Kaizen is known as the "Toyota production system," and literally it means "continuous improvement" in Japanese.)

As described above, there was strong incentive for private companies to increase productivity. At the same time, during this period the United States was enthusiastic about transplanting the productivity movement not only in Japan, but also in war-torn Europe as well through their aid programs such as the Marshall Plan and the Point Four Program.¹² Therefore, it was natural for the US government to support the productivity movement in Japan as well. In 1951, the plan was drafted in Japan as well to establish a productivity organization with support from the FOA (Foreign Operation Administration) of the US government (JPC 2005, Shimada forthcoming).¹³

The plan to introduce the productivity movement met fierce opposition from labor

¹² With the aid from the United States, productivity centers were established all around Europe: UK (1948); Denmark (1949); Turkey (1949); Austria (1950); West Germany (1950); Netherlands (1950); Trieste (1950); Belgium (1951); Italy (1951); Switzerland (1951); Greece (1953); Sweden (1953); France (1954), among others (Shimada forthcoming).

¹³ This is one of precursor organizations to the USAID (United States Agency for International Development).

union (*Sohyo* or General Council of Trade Unions of Japan). They feared that with increased production, jobs could be cut and work intensified for employees. Then, in 1955 they declined to participate in the US-assisted productivity movement (JPC 2005).

As it was suggested by the US to have three partners (government, private companies and labor), labor was essential to receive aid from the US. As the aid plan was stalled, a long negotiation between the three sides was held. Finally, as a compromise, the JPC (Japan Productivity Center) issued the three guiding principles of the productivity movement, which was influenced by the Philadelphia declaration of ILO (International Labor Organization) of 1944. With this, labor agreed to participate in the movement, stressing the importance of “industrial democracy.” With this agreement, many bureaucrats and business personnel studied productivity improvement with support from the United States. This had significantly helped Japan’s manufacturing sector to grow. Toyota Production System (TPS) or *Kaizen* was born from the productivity movement and spread all over Japan.

The principles are as follows.

1. Expansion of employment

In the long term, improving productivity should lead to expanding employment. However, from the standpoint of the national economy, a public-private partnership is essential in formulating valid policies to prevent the unemployment of surplus personnel through job relocations or other measures.

2. Cooperation between labor and management

Labor and management must cooperate in researching and discussing specific methods to improve productivity in consideration of specific corporate circumstances.

3. Fair distribution of the fruits of productivity

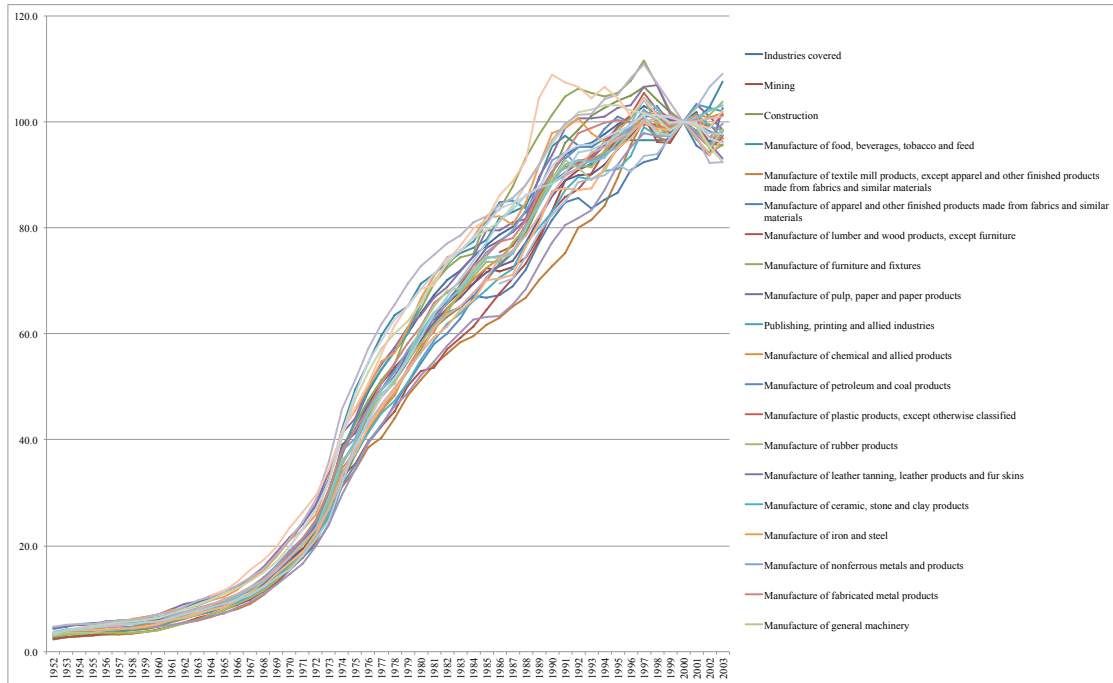
The fruits of productivity should be distributed fairly among labor, management, and consumers in line with the state of national economy. (JPC 2005: 38)

There were dual aims. One was to enhance competitiveness to expand markets, utilizing resources effectively and scientifically, while at the same time reducing production costs. The other was to boost employment and to enhance real wages and the standard

of living. The employment and wages were very important to improve the living standard in Japan. This also changed the nature of labor-management relations from combative to collaborative. Without the collaborative partnership between labor and management, the effects of high economic growth would have differed. In 1960, Prime Minister Hayato Ikeda announced a plan to doubling the income of Japanese people in ten years. This collaborative relationship was the basis of inclusive economic growth of Japan. Table 3 shows wage index by industry at current prices, including small medium industries. The increase of wages became very steep in the early 1960s in all industries. Table 4 shows the wage rate index by industry and by size of Enterprise. It is clear the wage increased at the same rate not only for large companies, but also for micro and small enterprises as well. Table 5 shows the annual average of monthly consumption expenditures per household (all households) and Engels's coefficient. As consumption expenditure is a proxy for wellbeing, the table shows the living standard has improved since the 1960s with Engels's coefficient falling steadily.

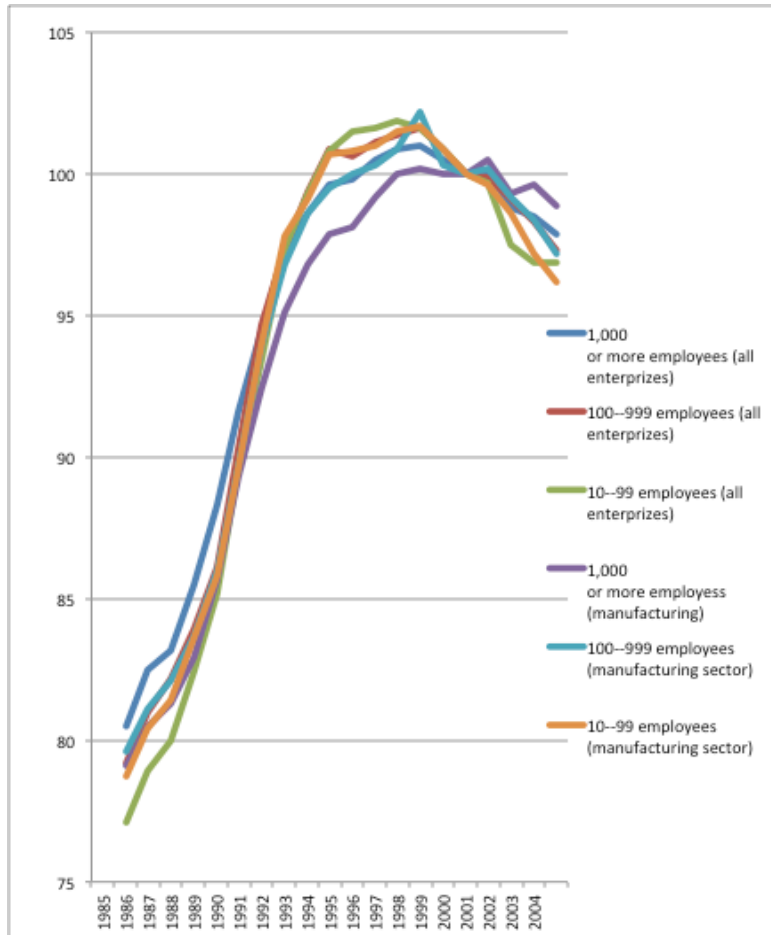
As we saw, the GHQ policy and productivity movement made Japan's economic growth inclusive. But, this is not all. The next section will discuss the last factor to make economic growth inclusive.

Table 3: Wage Index at Current Prices by Industry (Cash Earnings)
 (Establishments with 30 or more Regular Employees) (1952--2003)



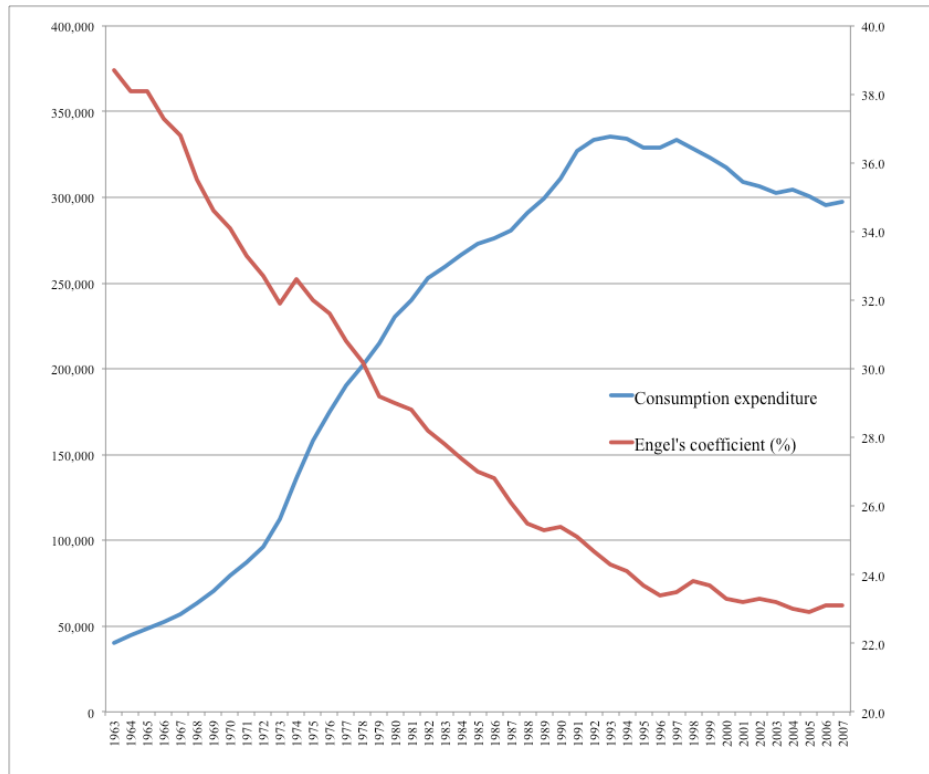
(Source: Author, based on Statistics and Information Department, Minister's Secretariat,
 Ministry of Health, Labor and Welfare)

Table 4: Wage Rate Index of Scheduled Cash Earnings and Bonus in Number of Months by Industry and by Size of Enterprise (1985-2004)



(Source: Author, based on Statistics and Information Department, Minister's Secretariat, Ministry of Health, Labor and Welfare)

Table 5: Annual Average of Monthly Consumption Expenditures per Household
(All Households) and Engels's coefficient



(Source: Author, based on statistics of the Statistical Survey Department,
Statistics Bureau, Ministry of Internal Affairs and Communications.)

(3) Social Security Policy

Another important factor to reduce poverty was social security policy. This stems from Article 25 of the Constitution of Japan, which guarantees the right to live. The first paragraph of this article reads: “All people shall have the right to maintain the minimum standards of wholesome and cultured living.” Then, the second paragraph is more specific on the policy measures: “In all spheres of life, the state shall use its endeavors for the promotion and extension of social welfare and security and of public health.”

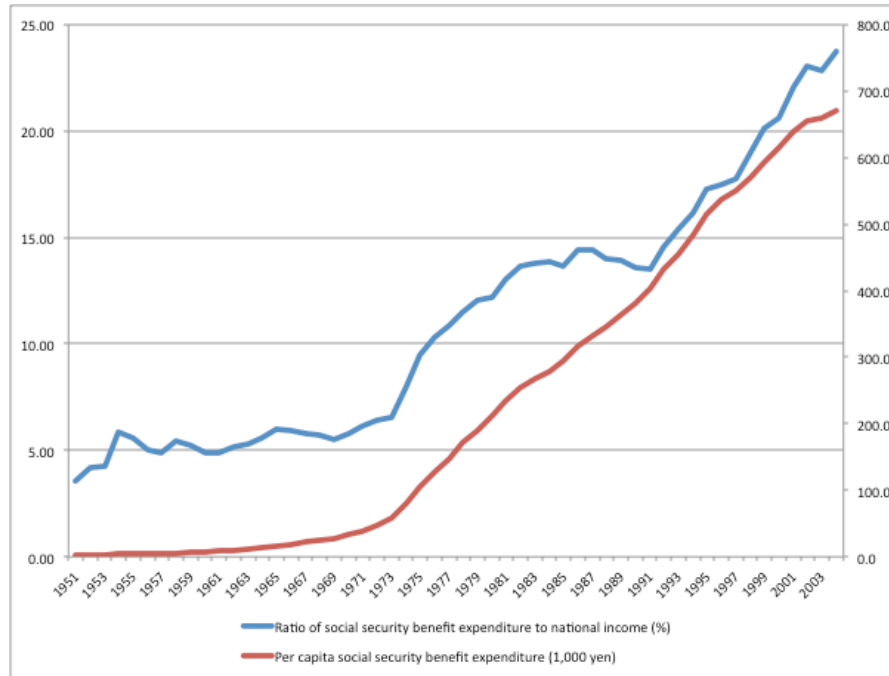
This article was not included in the initial GHQ draft of the constitution. It was Tatsuo Morio, a Diet Member of the Socialist Party (House of Representatives), who proposed this article. At the time of discussing the Constitution, people were in the middle of starvation. That is why he proposed the right of living as a part of the basic human

rights.

Soon after the war, the government organized a committee for economic reconstruction, inviting 21 economists such as Okita Saburo and Hiromi Arisawa (Okita et al., 1946). Their report became a blue print for Japan's reconstruction from the Japanese side. In the report, they strongly argued that social security was one important policy Japan needed to launch. They wrote that without social security, post-war Japan would not become a democratic and modern country, and people would remain poor in both urban and rural areas under a semi-feudal society. If semi-feudal characteristics persisted in villages and factories, they said that it would be difficult to improve the quality of labor.

Together with the labor movement and productivity movement, the social security policies based on this article 25 went hand-in-hand to reduce poverty and improve the living standards. Based on the article 25, Japan adopted a comprehensive social health insurance model and achieved universal health coverage in 1961. At that time in Japan, a relatively large part of the population was still engaged in informal employment. Even if Japan achieved rapid economic growth in the 1950s, poverty was still a persisting social problem. There were many people who were not covered by any health insurance and had to cover their medical expenses by themselves. (Around 30 percent of the population was not covered by health insurance in 1955.) At the time of the Cold War, social security, especially the UHC (universal health coverage), was a political priority for the LDP (Liberal Democratic Party) (Shimazaki 2013). Table 6 shows Social Security Benefit Expenditure and Ratio to National Income from 1951 to 2004. The expenditure has expanded since the early 1970s, and the ratio of social security expenditure to national income has steadily grown since the 1950s.

Table 6: Social Security Benefit Expenditure and Ratio to National Income (F.Y.1951-2004)



(Source: Author, based on the statistics from the Cabinet Office and the National Institute of Population and Social Security Research)

Although the first two factors (industrial policy and social security policy) seem to be different, the UHC became possible only after Japan raised the necessary financial resources with its economic growth around 1955. As we have reviewed, the GHQ policy, inclusive industrial policy, and social security policies were the main factors making the high economic growth inclusive. Then, the next question we will tackle is how Japan’s own history of economic development influenced to its aid policy on poverty reduction.

2. Japan’s ODA Policies and Programs

Regarding the current aid policy of the Government of Japan, there are several key documents such as the Development Cooperation Charter of Japan (2015) and statements by Prime Minister Shinzo Abe and President Shinichi Kitaoka of JICA. In terms of poverty reduction, all documents put emphasis on the importance of *human security* as a core of the aid policy and programs.

(1) Human Security

Then, what is the concept of human security? Former President of JICA, Sadako Ogata explained the concept like this: “...to ensure that the growth outcomes extend to all people in a sustainable manner and so that they can participate in the growth process, allowing no exclusions based on nationality, religion, customs or traditions, income or assets, education or academic background” (Ogata 2012). Here, human security has two aspects: growth and poverty reduction, which are the core of Japan’s economic development since the 1950s.¹⁴

It seems that the core of the human security concept is deeply rooted in the concept of the right to live, which Article 25 of the Constitution of Japan guarantees. That is probably the reason why human security is very important in Japan compared with other countries. The concept is very natural for Japanese because in Japan’s recent history it worked very well protecting the lives under poverty and starvation and improving the living standard. There are several universities which have courses’ dedicated to human security. For instance, the University of Tokyo has a graduate course in human security.

The concept first gained international attention with the publication in 1994 of the HDR (Human Development Report) by the UNDP. It was an attempt to add a “human face” to economically focused development assistance. During the 1997-98 Asian financial crisis, which sparked major social upheavals adversely affecting millions of people in the region, then Japanese Prime Minister Obuchi suggested that economic progress was inextricably linked with stable social conditions and proposed the concept of “human security” as a way to provide a social safety net for vulnerable people.

Following the financial crisis, Japan and the United Nations took joint steps to develop this concept. The UN Millennium General Assembly decided to establish the Commission on Human Security through the joint initiative of the then Secretary-General Kofi Annan and the Prime Minister Mori of Japan to define this concept. The commission was co-chaired by Amartya Sen and Sadako Ogata. The

¹⁴ President Kitaoka also follows in her steps, but with more emphasis on the importance of SDGs (Sustainable Development Goals).

submitted report “Human Security Now” from the Commission identified "people" at the center in formulating policies and building institutions, and advocated two approaches, the “bottom up” and the “top-down.”

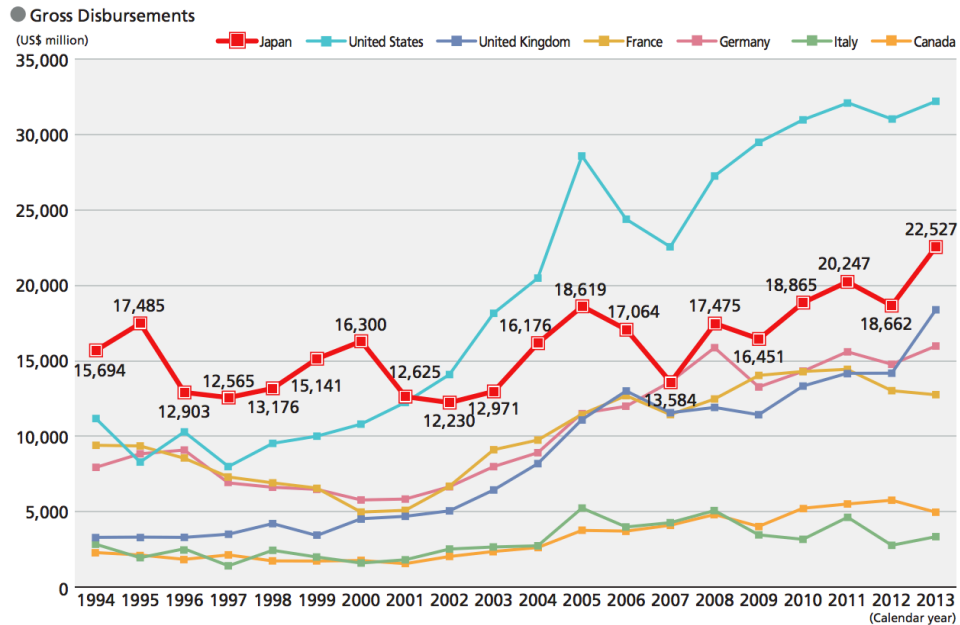
The “bottom-up” approach concentrates on empowering people. The purpose is to promote the enhancement of people’s ability to act on their own behalf. It was various development measures, such as education, access to information, assurance of health care, and the provision of social safety nets. The “top-down” approach emphasizes the importance of protecting people and ensuring their safety, basic rights, and freedoms through the firm establishment of the rule of law and judicial institutions.

In Japan, the “human security” concept was incorporated into the ODA policy framework as one of its five basic policies when renewing its ODA Charter in 2003, and in 2005 and is included in the Medium-Term Policy on ODA. Based on these policies, the “First Phase of JICA’s Reform Plan,” announced in March 2004, lists human security as one of the three pillars of JICA’s reform, and human security became the cornerstone of JICA’s policy and action¹⁵. As we see, inclusive growth has become one of the major pillars of our operation, evolving from the concept of human security.

Then what are the major programs and projects for Japan’s ODA? There are certain issues and sectors on which Japan focuses. Traditionally, Japan put strong emphasis on infrastructure and PPP (Public Private Partnership). Table 7 shows the trend of Japan’s ODA. Recently, resilience became part of the core of Japan’s ODA policies, and Japan hosted the Third UN World Conference on Disaster Risk Reduction in Sendai in 2015. During the SDGs (Sustainable Development Goals) negotiation, Japan strongly insisted that resilience should be a part of the SDGs. This came from the experience of the Tohoku Earthquake in 2011. Another issue highlighted was gender, which is a policy priority for *Abenomics* under Prime Minister Abe.

15 Then, in 2011 JICA published “Thematic Guidelines on Poverty Reduction”, setting four primary development objectives are identified: Economic capabilities (ensuring means of livelihood and increasing income), human capabilities (improving the basic ability to make a living), protective capabilities (overcoming vulnerability), political and socio-cultural capabilities (realizing political and social participation).

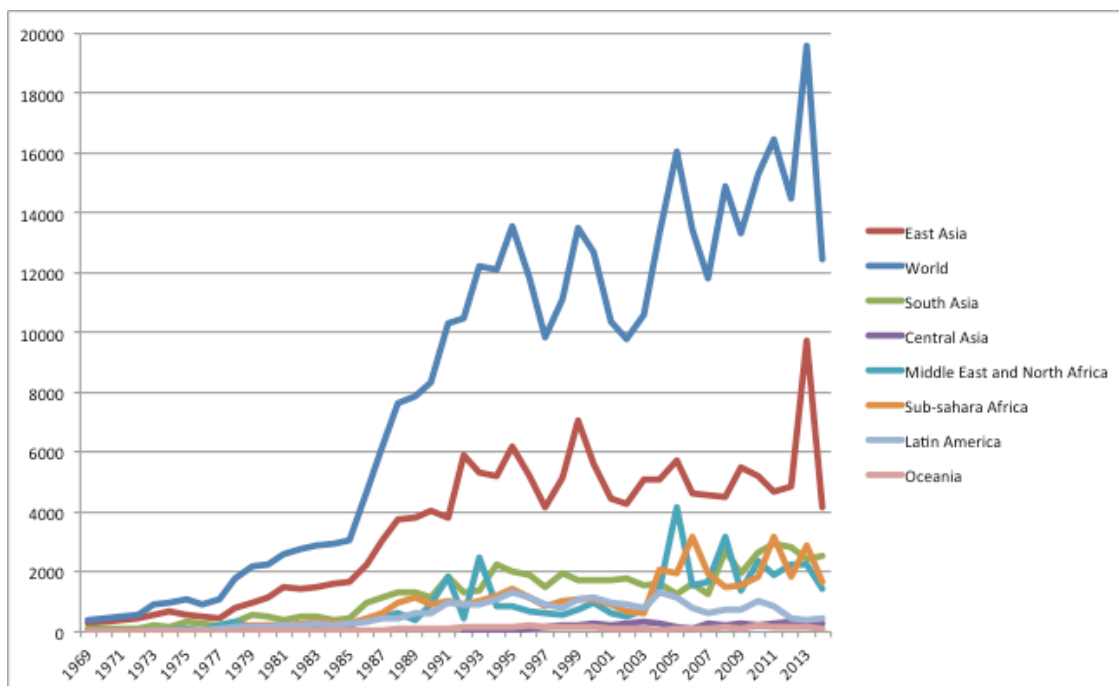
Table 7: Japan's Official Development Assistance and Foreign Direct Investment



(Source: ODA White Paper 2014, Ministry of Foreign Affairs)

Then, what is Japan's strategy for inclusive growth, especially coming from Japan's own development experience? It is inclusive industrial policy and UHC (Universal Health Care). This paper will mainly discuss inclusive industrial policy, touching on the UHC. It is because inclusive industrial policy is the area this paper considers the most appropriate for the ADB (Asia Development Bank) and the East Asian donors to collaborate on together for the future. Table 8 shows the regional distribution of Japan's ODA (0.1 billion, disbursed base). The table suggests that East Asia has been the most important region for Japan strategically.

Table 8: Regional Distribution of Japan's ODA (0.1 Billion Yen, disburse base)



(Source: Author, based on the statistics from Economic Cooperation Bureau)

(2) Inclusive Industrial Policy

In light of Japan's own historical experience, as we reviewed, industrial sector development, especially the productivity movement, has been the key to making the economic development pro-poor. Therefore, the productivity movement has been the core of JICA's major approach to inclusive growth. For JICA, industrial sector development aims not only to foster the private sector, but also to support high levels of employment and rising wages. The World Bank (2009) stressed the importance of structural transformation for economic diversification and competition, including the importance of productive employment as a means to improve the lives of socially excluded groups, rather than on direct income redistribution. This is because employment bridges inclusiveness and growth.¹⁶

With the productivity movement or Kaizen, JICA has extended its assistance to many

¹⁶ Productivity and quality improvements are important not just to nurture a firm, but to develop industrial clusters. As Otsuka and Sonobe (2011) argued, the introduction of improvements is critical for sustainable private sector development.

developing countries in Asia and Latin America in particular, and recently to the Middle East and Sub-Saharan Africa. Japan itself introduced productivity and quality improvements in 1955 at the start of its era of rapid economic growth, learning from the American business management model. There were dual aims. One was to enhance competitiveness to expand markets, utilizing resources effectively and scientifically, and at the same time reducing production costs. The other was to boost employment and to enhance real wages and the standard of living. The employment and wages were very important for inclusive growth¹⁷.

In 1983, JICA started cooperation with Singapore's National Productivity Board (NPB), which evolved into the present SPRING-Singapore. After the success of the project, the cooperation expanded to Thailand, the Philippines, Hungary, Brazil, Tunisia and Ethiopia, among others (Ueda 2009, Kikuchi 2009, Hosono 2009, GRIPS 2009, Shimada 2011, 2009 and forthcoming). The following table shows the list of Kaizen projects up to 2009).

Beyond the ODA, Japan has tried to promote the productivity movement through the APO (Asian Productivity Organization). The APO was established in 1961, and is an international organization. It was the JPC that proposed establishing the APO. Since then, productivity organizations were established in Asian countries including the one in Singapore established with JICA's cooperation. Those are: Bangladesh (established in 1982), Cambodia (2004), China (1961), Fiji (1984), Hong Kong (1963), India (1961), Indonesia (1968), Iran (1965), Korea (1961), Philippines (1961), Singapore (1969), Sri Lanka (1966), Thailand (1961), and Vietnam (1996).

¹⁷ JICA's industrial sector development is not just the manufacturing sector. In line with the discussion made by Rodrik (2007), and Norman and Stiglitz (2012), JICA's approach to industrial development has a broader scope, including value chain development from agriculture and the processing industry to the service sector, and various economic condition developments, such as legal infrastructure (e.g. economic law and civil law) as well as physical infrastructure.

Table 9: List of major JICA Kaizen projects

Country	Project Title	Project Start Year	Project End Year	Counterpart Organization	Year Established	Stage of Organizational Development under JICA Support
1 Singapore	Productivity Development Project	1983	1990	National Productivity Board	1972	Developmental
2 Philippines	Productivity Development Program for the Philippines	1991	1994	Productivity Development Center, Development Academy of the Philippines	1967	Developmental
3 Thailand	Quality and Productivity Improvement Project	1994	2001	Thailand Productivity Institute	1962	Transition
4 Hungary	Productivity Development Project	1995	1999	Hungarian Productivity Centre	1994	Start-up
5 Brazil	Brazilian Institute of Quality and Productivity Project	1995	2000	Brazilian Institute of Quality and Productivity in Paraná	1995	Start-up
6 Costa Rica	Productivity Improvement for Enterprises Project	2001	2006	Technical Instructor and Personnel Training Center for Industrial Development for Central America	1992	Developmental
7 Tunisia	Study on the Master Plan for Quality/Productivity Improvement	2006	2008	National Quality Programme Unit	2005	Start-up
8 Paraguay	Project of Strengthening of Paraguayan Quality and Productivity Center	2007	(on-going)	Paraguayan Quality and Productivity Center (CEPPROCAL)	2005	Start-up
9 Egypt	Productivity and Quality Improvement Center Project	2007	(on-going)	Productivity and Quality Improvement Center	2006	Start-up
10 Argentina	Study on the Diffusion Plan for Business and Production Management Technology for Small and Medium Enterprises	2009	(on-going)	National Institute of Industrial Technology (INTI)	1957	Developmental

(Source: Ueda 2009: 58)

(3) Inclusive Business

Recently, JICA's assistance for industrial development has expanded into the area of inclusive business as well. In collaboration with the Ryohin Keikaku Co., Ltd. (MUJI), the JICA jointly planned seven items for MUJI Christmas Home 2012, a Christmas gift project proposed by MUJI. Producers supported under JICA's One Village One Product projects in Kyrgyzstan and Kenya created products as per MUJI specifications that were purchased directly by MUJI and marketed as Christmas gifts. These products were sold at MUJI stores located in countries throughout the world as well.

Under its One Village One Product projects, JICA tries to stimulate local industry that uses local resources, providing technical assistance for product development, production, and market development for the products. By utilizing private sector sales channels, the market for the products produced in Kyrgyzstan and Kenya will be expanded overseas, thereby contributing to the development of local industry. Other effects of the project have been to create a mass production system and to improve the production and control

technology, with the aim of achieving the control and level of quality that is found in Japan. These activities are expected to increase the interest in and concern for issues in developing countries on the part of those who ultimately end up with these products and who may not have thought about the conditions in these developing countries before. The projects also established production and marketing systems so that the producers can expand their markets themselves.¹⁸

3. Possible collaboration for the East Asian Countries for Poverty Reduction in the Region

This section will discuss what can be done for the possible collaboration for East Asian Countries to reduce poverty in the Region. This section, first, discusses how to collaborate among East Asian countries, then, second, proposes possible sectors for collaboration.

(1) Institutional set-up of collaboration

It is beneficial and important for East Asian countries to work together, not just for donor countries, but also for the poor in Asian countries. To realize such a collaboration, the ADB should lead the movement, as a neutral catalyst to coordinate among East Asian countries.

Then, what kind of blue print of collaboration should the ADB draw? There are several formats of collaboration: co-financing, co-funding, joint-project operation, vertical collaboration and horizontal collaboration (sectorial or geographical) among others.

Among these possible ways of collaboration, probably, it would be better to start from “horizontal collaboration.” In horizontal collaboration, each donor implements a project independently, but in parallel, under a blue print made by the ADB. The projects could be implemented based on geography in any sector (e.g. X area: Country A, Y area:

¹⁸ According to JICA (2016), the local producers explained how this project affected them. One said, "This initiative provided us with really good training, and enabled us to improve our product quality over last year." Another said, "For village women without work, this has been an excellent opportunity to earn money and contribute to the family budget."

Country *B*, *Z* area: Country *C*). Or the project could be divided sector-wise in one area (e.g. Agriculture: Country *A*, Education: Country *B*, Health: Country *C*).

The reasons are two fold. First, the staff members of donor agencies tend not to appreciate donor collaboration. It is because very often the collaboration does not increase the efficiency of the aid programs and projects because it increases red tape. If we implemented each project horizontally (independent but in parallel), each donor agency could operate separately and procedurally easier. Second, there is some political sensitivity among East Asian countries, so it is easier to work independently, rather than together.

(2) Possible Areas of Collaboration

Regarding the possible areas of collaboration, East Asian countries have a common experience. That is inclusive industrial development. In the case of Japan, it was the productivity movement. The other Asian countries have similar but different experiences. This diversity of historical experience would be a strong point of this East Asia collaboration, because partner countries can select the best approach (or the best mixed approach) based on their own country's context at that time. There is no one-size fits-all policy for inclusive industrial development. As we have seen, in the case of Japan, policy choices were made under the circumstances of a highly path-dependent situation.

Therefore, I would like to propose to the ADB and East Asian countries to share their own historical development with less developed Asian countries as well as with each other. Actually, it would be beneficial to start by sharing knowledge among staff members of donor agencies in East Asian countries. Then, those trained staff members can draft a plan of collaboration. This sharing information is important in itself, but it also has another meaning. When starting a new approach, it would be better to start small, then, if successful, the program can be scaled-up.

In this regard, I also would like to propose that rigorous impact evaluation should be implemented at the start of the program to know the effects of this new approach. Without knowing the impact, we should not scale-up the project. What is more, if we

know the impact precisely, then it would be a powerful tool to convince the leaders of each East Asian country. The role of ADB in leading this activity is huge and important.

Conclusions

As this paper covered, the GHQ policy had a huge influence on making the post-war period economic growth inclusive. Under that influence, especially because of the tension with labor unions, industrial development became inclusive. The productivity movement and its philosophy promote sharing the prosperity with employees, and improved the living standards of people during the high economic growth without widening the income gap. To complement this movement, social security policy promoted the protection of people during difficult times and helped them out of poverty. Japan's ODA policy on poverty reduction is also hugely influenced by the nation's own history, not just emphasizing "pro-poor," but "pro-poor through growth (or industrial development)." Other East Asian countries have similar, but different experiences. Therefore, it would be useful to share those experiences in parallel, so that the partner countries have choices. The partner countries can choose what they consider important in their own context. To start, probably, donor countries of East Asia should first start learning about each other, learning their histories, and sharing the good practices of aid programs and projects. Rigorous impact evaluation is needed to scale-up regional collaboration in the future, after fine-tuning the programs and projects. It is the role of ADB as a neutral catalyst to lead this movement, coordinating with East Asian countries and the AIIB (Asia Infrastructure Investment Bank).

References

- Abe, A. 2016. *Poverty of Japan (In Japanese)*. (<http://www.hinkonstat.net/> accessed June 22, 2016).
- Bisson, T. A. 1949. *Prospects for Democracy in Japan*. New York. Macmillan.
- Birdsall, N. and R. H. Sabot (1993). *Virtuous circles: Human capital growth and equity in East Asia, Background paper for The East Asian Miracle*, Washington, DC: World Bank, Policy Research Department.
- Commission on Growth and Development 2008. *Growth Report: Strategies for Sustained Growth and Inclusive Development*. Washington D.C.: the World Bank.
- Dower, John. W. 2000. *Embracing Defeat: Japan in the Wake of World War II*. W. W. Norton & Company. Kindle edition.
- GRIPS Development Forum eds. 2009. *Introducing Kaizen in Africa*. Tokyo: GRIPS.
- Hosono, A. 2009. “Kaizen: Quality, Productivity and Beyond”, in *GRIPS Development Forum eds. Introducing Kaizen in Africa*. Tokyo: GRIPS.
- JICA 2011. *Thematic Guidelines on Poverty Reduction*. Tokyo: JICA
- JICA 2006. *Poverty Reduction and Human Security*. Tokyo: JICA
- Kikuchi, T. “JICA- Supported Project for Quality and Productivity Improvement in Tunisia” in GRIPS Development Forum eds. *Introducing Kaizen in Africa*. Tokyo: GRIPS.
- Ministry of Foreign Affairs. 2015. ODA White Paper 2014. Tokyo: Ministry of Foreign Affairs.
- Norman, A. and Stiglitz, J. (2012). “Strategies for African Development”, in Norman et al. eds. (012. *Good Growth and Governance in Africa*. New York. Oxford University Press.
- Okita, S. 1946. *Postwar Reconstruction of the Japanese Economy (Nihon Keizai Saiken No Kihon Mondai in Japanese)*. Tokyo: Ministry of Foreign Affairs.
- Ogata, S. 2012. *Former President's Visits & Remarks*. Tokyo: JICA.
<http://www.jica.go.jp/english/about/president/archive/remarks/2012/120404.html> (Accessed on April 4, 2012.)
- Ogata, S. 2008. “New JICA New Challenges Toward Inclusive and Dynamic Development.” Tokyo: JICA.
<http://www.jica.go.jp/english/about/president/archive/remarks/2008/081015.html> (Accessed on April 4, 2012.)
- Ogata, S. 2006. Infrastructure Development and Human Security, in World Bank 2006. *Annual Bank Conference on Development Economics 2006*. Washington DC: World Bank.
- Otake, F. 2003. “Was there the expansion of income inequality?” in Higuchi, Y. and the Ministry of Finance eds. (2003) *Income inequality and social hierarchy in Japan* in Japanese, Tokyo: Nihon

- Hyoronsha.
- Page, J. 1994. "The East Asian Miracle: Four Lessons for Development Policy", in Stanley Fischer and Julio J. Rotemberg, eds. *NBER Macroeconomics Annual 1994*, Volume 9: 219-282.
- Ravallion, M. and S. Chen 1997. "Measuring Pro-Poor Growth." *Economic Letters* 78: 93-99.
- Rodrik, D. 2007. *Normalizing Industrial Policy*. Cambridge, MA: Harvard University.
- Schonberger, H. 1980. "Thomas Arthur Bisson and the Limits of Reforms in Occupied Japan." *Bulletin of Concerned Asian Scholars*. Vol. 12, No.4: 26-37.
- Shimazaki, K. 2013. *The Path to Universal Health Coverage – Experiences and Lessons from Japan for Policy Actions*, Policy Paper. Tokyo: JICA.
http://repository.ri.jica.go.jp/dspace/bitstream/10685/120/1/The_Path_to_Universal_Health_Coverage.pdf (accessed in May 7, 2016)
- Shimada, G. 2011. "Achievements in the KAIZEN Project" in GRIPS Development Policy Forum. *Japan's Approach to African Development during TICADIV: the Case of Ethiopia*. GRIPS Development Policy Forum Policy Minutes No.24.
http://www.grips.ac.jp/forum/pdf12/merged_PM24.pdf (accessed in May 7, 2016)
- Shimada, G. 2009. "Industrial Policy in Developing Countries", presented at the International Workshop organized by GDI (German Development Institute) on Industrial Policy in Developing Countries.
<http://www.enterprise-development.org/page/industrial-policy>
- Shimada, G. 2009a. "Enhancing South-South Cooperation and Regional Approach to Aid for Trade", presented at the Asia Regional Review Meeting on Aid for Trade, Co-organized by WTO, OECD and ADB at Siem Reap, Cambodia.
http://www.jica.go.jp/topics/2009/pdf/20090611_aft.pdf
- Shimada, G. 2009b. "Greater Mekong Sub-Region and Aid for Trade" presented at the Global Review Meeting on Aid for Trade, Co-organized by WTO and OECD at Geneva.
<http://aric.adb.org/aid-for-trade-asia/pdf/Go%20SHIMADA.pdf>
- Tsunekawa, Keiichi. 2010. *State-Building, Economic Development, and Democracy: The Japanese Experience*. *World Development Report 2011 Background Case Note*. Tokyo: JICA Research Institute.
- Ueda, T. 2009. "Productivity and Quality Improvement: JICA's Assistance in Kaizen" in GRIPS Development Forum eds. 2009. *Introducing Kaizen in Africa*. Tokyo: GRIPS.
- World Bank 2009. *What is Inclusive Growth*, Washington DC, World Bank.
<http://siteresources.worldbank.org/INTDEBTDEPT/Resources/468980-1218567884549/What>

[IsInclusiveGrowth20081230.pdf](#)

World Bank 1993. *The East Asian Miracle – Economic Growth and Public Policy*, Oxford University Press.

Japan's Assistance in the East Asia Region

Area: East Asia
Calendar year : 2013

(Unit: US\$ million)

Rank	Country or region	Grants			Total	Loan aid			Total (Net disbursement)	Total (Gross disbursement)
		Grant aid	Grants provided through multilateral institutions	Technical cooperation		Amount disbursed (A)	Amount recovered (B)	(A)-(B)		
1	Myanmar	3,238.45	48.27	48.65	3,287.10	2,044.67	2,803.45	-758.78	2,528.32	5,331.76
		(127.75)	(48.27)	(48.65)	(176.40)	(2,044.67)	(1,638.13)	(406.54)	(582.94)	(2,221.07)
2	Viet Nam	23.99	-	105.30	129.28	1,551.12	373.51	1,177.61	1,306.89	1,680.41
3	Indonesia	11.31	0.17	85.86	97.16	870.99	1,789.09	-918.09	-820.93	968.16
4	Thailand	23.60	1.08	48.38	71.98	535.23	800.26	-265.03	-193.05	607.21
5	China	5.15	-	24.40	29.55	295.57	1,117.77	-822.20	-792.64	325.12
6	Philippines	63.03	33.64	59.88	122.91	133.81	658.21	-524.41	-401.50	256.72
7	Mongolia	31.01	-	25.12	56.13	126.03	17.00	109.04	165.16	182.16
8	Malaysia	0.70	0.23	10.19	10.89	133.66	305.00	-171.35	-160.46	144.54
9	Cambodia	74.29	5.64	46.20	120.50	22.89	1.90	20.99	141.49	143.39
10	Laos	40.33	-	38.11	78.44	1.4	3.88	-2.48	75.96	79.84
11	Timor-Leste	8.72	-	11.74	20.46	1.71	-	1.71	22.17	22.17
	Multiple countries in East Asia	0.13	0.13	7.66	7.79	-	-	-	7.79	7.79
East Asia region total		3,520.70	89.14	511.85	4,032.55	5,717.07	7,879.42	-2,162.34	1,870.21	9,749.62
		(410.00)	(89.14)	(511.85)	(921.85)	(5,717.07)	(6,714.10)	(-997.02)	(-75.17)	(6,638.93)
(ASEAN total)		3,475.69	89.02	442.84	3,918.53	5,293.76	6,735.31	-1,441.54	2,476.99	9,212.30
		(364.99)	(89.02)	(442.84)	(807.83)	(5,293.76)	(5,569.99)	(-276.22)	(531.61)	(6,101.60)

*1 Ranking is based on gross disbursements.

*2 Grant aid includes aid provided through multilateral institutions that can be classified by country.

*3 Aid for multiple countries is aid in the form of seminars or survey team dispatches, etc. that spans over

(Source: ODA White Paper 2014, Ministry of Foreign Affairs)