

New Trends in Development and Human Resource Development in Developing Countries

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Content

- I The Preface
- II The Changes in Development Thinking and Trends in Aid to Developing Countries
- III The Economic Achievements of Developing Countries and Changes in Recent Years
- IV The Importance of Human Resource Development and New Needs in Changing Circumstances
- V The Conclusion: a Desirable Role for Japan and our Expectations of the IDEAS Program

I The Preface

Since IDEAS (IDE Advanced School) was established in 1990, we have witnessed drastic changes in the world which have been affecting the development of developing countries. Just after 1990, we saw the collapse of the Berlin Wall in 1989, followed by the unification of West Germany and East Germany in 1990 and the dissolution of the former Soviet Union in 1991. This was the end of the Cold War which had regulated the world's political economy for the long period following the Second World War.

The end of the Cold War allowed many changes in the years which followed it. The biggest change was the progress of globalization. Globalization has been going on since the beginning of the human history. The movements of people to new frontiers and the expansion of trade into remote areas can be said to be part of the process of globalization. Over time the scope has expanded, the content has deepened, and the speed has accelerated. The end of the Cold War led to the removal of constraints on the economic activities within both blocs, East and West, and to the greater integration of the world economy. This was accelerated by technological innovation and an information and communication revolution resulting from the peaceful utilization of military technology.¹

We also saw great changes in the aid flows from developed to developing countries around this time. First, East European countries shifted their political and economic

systems from socialist and planned to democratic and market economic systems, and DAC member countries started to provide these countries with ODA (Official Development Assistance). Second, Asian socialist countries such as China, Vietnam and Laos started to adopt the market economic system and to receive aid from developed countries. Third, aid donors started to shift their emphasis to global issues such as poverty alleviation and global warming.

Ten years after the end of the Cold War, we saw the September 11 incident in 2001 which changed the subsequent world drastically again. This led to the Afghanistan and Iraq wars, and since then the war on terror has been given top priority. This war is not a conventional war between countries, but rather a war against invisible terrorist groups. The international community is under constant threat from them. The concept of human security has emerged.

On the one hand, Japan which had formerly been the world's largest donor suffered a long economic stagnation after the collapse of the bubble economy from the early 1990s, which has been described as the lost 10-15 years. Reflecting the economic decline, Japan's aid to developing countries declined and ranked fifth in 2008. This fact called for the review of Japanese aid policy and the effectiveness of aid.

On the other hand, there are noticeable changes on the side of developing economies. First, we can point out a spectacular rise of the Chinese economy. The Chinese economy has recorded approximately 10% average annual growth rates over the past three decades. China became the third largest economy in 2008 and is forecasted to overtake Japan in 2010 and to become the second largest economy after the United States. Second, other populous countries such as India, Brazil and Russia (BRIC countries) are following China's rise. The other developing countries are also joining the growth competition race, whereas the majority of developing countries remain stagnant. Third, developing countries started to participate in the world economic management for the first time in history, as reflected in G20 (Group of 20) in 2008 and 2009 at the time of the world crisis, taking the place of G7/8.

With the changed situation in the world as a background, I discuss new trends in development and human resource development in developing countries. First, I will review changes in development thinking and trends in aid to developing countries and touch upon the changes in recent years. Second, I examine the past economic performance of developing countries and see new moves occurring in developing countries. Third, I discuss the importance of human resource development and the new needs in changing circumstances. In conclusion I discuss the desirable role for Japan and our expectations of the IDEAS program.

II The Changes in Development Thinking and Trends in Aid to Developing Countries

1 The Changes in Development Thinking²

Changes in development thinking have been influenced by the social, political and economic environment of the times. The main ideological conflict has been between the market mechanism and government intervention. Historically, the industrial revolution occurred in Europe in the 18th century, which led to capitalism and democracy that were based on private property rights, a free market and political freedom. This system came to be seen as Western civilization and it spread to other regions. The first challenge toward this trend was the great transformation, so-called by Polanyi, which led to the emergence of fascism in Germany and Italy, the birth of the communism in certain countries and the beginning of the Cold War after the Second World War.³ During the Cold War, economic management was run separately within the two blocks of East and West and their economic doctrines were planned economy and market economy respectively. The ideologies of market mechanism and government intervention are still the main issue of the current global crisis.

Development economics was born as an applied economics which was concerned with the economic development of developing countries. In that context it was a practical study which looked towards improving the standard of living and alleviating the poverty of the people in a developing country. The objectives of development as a guideline for the formulation of economic policies in each era are summarized as follows: GDP growth rate in the 1950s; GDP growth rate, balance of payments equilibrium and employment in the 1960s; GDP growth rate, employment, income distribution, poverty alleviation and balance of payments equilibrium in the 1970s; stabilization, balance of payments equilibrium, fiscal and monetary equilibrium, structural adjustment, and efficiency in the 1980s; structural adjustment, good governance and institution construction, moderating efforts during the Asian financial crisis, limiting global capitalism, liberalization and deregulation in the 1990s; human development, the alleviation of poverty and inequality, and the Millennium Development Goals in the 2000s.

The above objectives reflect the changing circumstances and economic thoughts of each era. In the 1950s and 1960s Keynesian economics were dominant and the ideas of the planned economy were still influential. The 1970s witnessed two oil shocks and a subsequent recession which led to stagflation. There was a loss of confidence in Keynesian economics. In the 1980s and 1990s new conservative regimes came to

believe in small and efficient government, promoting privatization, deregulation, liberalization, structural adjustments and so forth. This ideology based on belief in the free market was called Thatcherism or Reaganism, which was later translated into the Washington Consensus. It was the resurgence of neoclassical economics. In the 2000s the international community has been committed to attaining the Millennium Development Goals. After the world financial and economic crises in 2008 and 2009, the Keynesian economics returned again.

Most developing countries which became independent after the Second World War suffered from poverty and top priority was given to the attainment of economic growth. It was premised that the fruits of economic growth would reach the people at the bottom, which is called the trickle-down effect. In the Kuznets reverted-U hypothesis which is based on experiences in advanced countries, it was assumed that inequality would increase in the early stages of economic growth, but would start to decrease after a certain time.

However, the development experiences of developing countries betrayed this expectation except in the case of Asian NIEs. That forced a rethinking of economic growth, which led to discussions on the content of economic growth. These are poverty alleviation, corrections of income disparities, secure employment, human development and so on. The United Nations Development Programme (UNDP) published the Human Development Index in 1990 and the Human Poverty Index and Human Gender Index later.

In 2000, the then 189 UN member countries committed themselves to the attainment of the Millennium Development Goals. These consisted of the following eight goals: 1. Eradicate extreme poverty and hunger; 2. Achieve universal primary education; 3. Promote gender equality and empower women; 4. Reduce child mortality; 5. Improve maternal health; 6. Combat HIV/AIDS, malaria, and other diseases; 7. Ensure environmental sustainability; and 8. Develop a global partnership for development.

In the process of economic development in developing countries, East Asia has attracted a great deal of attention as a successful region and discussions were centered around the factors which contributed to this success. The East Asian model which is also called developmentalism was proposed in contrast to the Anglo-Saxon model based on free markets. The East Asian model is a government-led one putting top priority on economic development and using all resources intensively for that purpose. The government actively intervened in the market, adopted a set of industrial policies, and promoted exports.

At different times, the role of the government and the role of the market have been emphasized. However, it is difficult to separate both roles clearly when we discuss the real economy. It is necessary for government and market to complement each other since the real economy is a mixed one comprised of private and public sectors. The world financial crisis in 2008 is evidence of this and the American belief in markets is having to be revised. The rapid prevalence of market mechanism promoted by globalization is creating not only wide income gaps between countries, but also tremendous income inequalities among the people within both developed and developing countries. Those who belong to low income groups are the most hit by the global recession and natural disasters all the time. This is the current situation going on in the present global crisis in both developed and developing economies.

2 The Trends in International Aid

(1) Overview

According to Dambisa Moyo, there are three types of aid, humanitarian or emergency aid, charity-based aid, and systematic aid. She divides postwar aid into the following seven broad categories: its birth at Bretton Woods in the 1940s; the era of the Marshall Plan in the 1950s; the decade of industrialization of the 1960s; the shift towards aid as an answer to poverty in the 1970s; aid as the tool for stabilization and structural adjustment in the 1980s; aid as a buttress to democracy and governance in the 1990s; and the present-day poverty alleviation. In the past 50 years, more than 2 trillion dollars have been transferred from developed to developing countries, half of which went to Africa. She argues that aid didn't work at all, particularly in Africa.⁴

Why does aid continue to be provided? There are several reasons. The postwar period witnessed the birth of many independent countries in Asia, Africa and the Middle East. These countries were colonized by the West for a long time and their political economies were fragile and undeveloped due to the colonial heritage. They suffered from poor governance, lack of manpower and capital, insufficient infrastructure and so forth. They needed external aid to rebuild their countries. Suzerains had a moral responsibility to help the colonized countries as former rulers. There was also the humanitarian reason to help those who suffered from extreme poverty. In addition, economic interdependence was quite important, and economic development of the developing world leads to the expansion of the global economy and mutual benefits in the long run. Another reason was a side effects of the Cold War. This promoted aid competition between East and West to attract developing countries to their respective camps. In this case, political intentions were often given priority while

the mass of the poor people were neglected.

Aid thinking in developing countries has changed over time. Initial optimism was replaced by aid fatigue because of aid ineffectiveness in the subsequent years. Entering the 1970s, we faced drastic changes and a world recession influenced by two oil shocks in 1973 and 1979. In the process developed countries increased their fiscal deficits, became careful in providing aid and pressured developing countries to improve their governing abilities. The end of the Cold War in 1991 shifted their attention to the former socialist countries and aid became more diversified. Following this, the September 11 incident in the United States has also changed the aid flow a great deal. The war on terrorism led to the Afghanistan and Iraq wars and a great amount of aid was transferred for social and economic recovery in these countries after the wars. On the other hand, we witnessed the rise of emerging powers such as China, India and others.

Aid flows to developing countries increased drastically after the September 11 incident as shown in Table 1. The total amount of ODA in 2008 was \$120 billion. The United States with \$26 billion took the top position, followed by Germany with \$13.9 billion, the United Kingdom with \$11.4 billion, France with \$11 billion and Japan with \$9.4 billion. The world economic crisis in 2009 is expected to affect aid flows from developed to developing countries greatly. Those who surpassed the United Nations target of 0.7% of GNI in 2008 were only five countries, Netherlands, Sweden, Norway, Denmark and Luxembourg.

A look at ODA flows by recipient shows that the largest recipient of net bilateral ODA in 2007 was Iraq which received USD 9 billion. Afghanistan was the next largest recipient receiving USD 3 billion, followed by Tanzania (USD 1.8 billion), Cameroon and Sudan (USD 1.7 billion each). Aid is increasingly poverty-focussed. ⁵

Table 1 Net Official Development Assistance Flows: 1999-2008 (in USDm)

		1999	2000	2001	2002	2005	2006	2007	2008	OD A/ GNI
1	United States	9,145	9,581	11,429	13,290	27,935	23,532	21,787	26,008	0.18
2	Germany	5,515	5,034	4,990	5,324	10,082	10,435	12,291	13,910	0.38
3	United Kingdom	3,450	4,458	4,579	4,924	10,772	12,459	9,849	11,409	0.43
4	France	5,637	4,221	4,198	5,486	10,026	10,601	9,884	10,957	0.39
5	Japan	15,323	13,062	9,847	9,283	13,126	11,136	7,679	9,362	0.18

6	Netherlands	3,134	3,075	3,172	3,338	5,115	5,452	6,224	6,993	0.80
7	Spain	1,363	1,321	1,737	1,712	3,018	3,814	5,140	6,686	0.43
8	Sweden	1,630	1,813	1,666	2,012	3,362	3,955	4,339	4,730	0.98
9	Canada	1,699	1,722	1,533	2,004	3,756	3,684	4,080	4,725	0.32
10	Italy	1,806	1,368	1,627	2,332	5,091	3,641	3,971	4,444	0.20
11	Norway	1,370	1,264	1,346	1,696	2,786	2,954	3,728	3,967	0.88
12	Australia	982	995	873	989	1,680	2,123	2,669	3,166	0.34
13	Denmark	1,733	1,664	1,634	1,643	2,109	2,236	2,562	2,800	0.82
14	Belgium	760	812	867	1,072	1,963	1,978	1,953	2,381	0.47
15	Switzerland	984	888	908	939	1,772	1,646	1,685	2,016	0.41
16	Austria	527	461	533	520	1,573	1,498	1,808	1,681	0.42
17	Ireland	245	239	287	398	719	1,022	1,192	1,325	0.58
18	Finland	416	371	389	462	902	834	981	1,139	0.43
19	Greece	194	216	202	276	384	424	501	693	0.20
20	Portugal	276	261	268	323	377	396	471	614	0.27
21	Luxembourg	119	116	141	147	256	291	376	409	0.92
22	New Zealand	134	116	112	122	274	259	320	346	0.30
	Total	56,442	53,737	52,336	58,274	107,078	104,370	103,491	119,759	0.30

Sources: compiled from various data of <http://www.oecd.org/dac/stats>.

(2) Japan's Aid

Japan's ODA increased with the expansion of the economy and was the largest in the world from the end of the 1980s into the 1990s. Japan became number one in 1989 exceeding the United States. However, it started to decrease from \$15.323 billion at its peak in 1999 and declined to \$9.36 billion in 2008. From 2001 the top position was taken again by the United States and Japan became the third in 2006 and fifth in 2007. The ratio of ODA to GNI was 0.18% in 2008, the lowest among 22 DAC member countries (0.34% at its peak in 1999) and being far less than the UN target of 0.7% of GNI.

The top ten recipients of gross ODA in 2007-08 average from Japan are as follows : 1. Iraq with \$1,402 million, 2. China with \$1,196 million, 3. Indonesia with \$1,191 million, 4. India with \$949 million, 5. Vietnam with \$780 million, 6. Philippines with \$599 million, 7. Bangladesh with \$540 million, 8. Tanzania with \$396 million, 9. Turkey with \$354 million, and 10. Sri Lanka with \$288 million. The bilateral share of total ODA was 75% in 2007 and 71% in 2008. ⁶

The characteristics of Japanese aid in the past are summarized as follows: First, in

terms of the size Japan was once the largest aid donor together with the United States. However, the recent drastic decline is noticeable. The ratio of ODA to GNI was 0.18% which is the lowest; Second, both the grant aid ratio and grant element demonstrate the quality of aid is low. This is mainly due to the fact that Japanese aid seeks the self-effort of developing countries and yen loans for infrastructure account for the majority of the aid; Third, Japanese aid is based on the demand of the developing country; Fourth, the aid philosophy of Japan has been influenced by external pressure. The effectiveness of this aid has been questioned in recent years.

Japanese aid policy has always given top priority to Asia. The reasons for this are that Japanese aid started from post-war reparations, and there were demarcations between Japan and Europe and America geopolitically, and there was the geographical location of Japan. Most of Japanese aid went to Asia in the 1970s, around 70% in the 1980s, and it has been around 60% in recent years.

In 2003 the philosophy behind aid and the effectiveness of aid were reexamined. National interests have become more important. It is also stated that financial problems must be attended to and priority given to recovery aid to conflict areas as one of the terrorism countermeasures. The demand principle was also reviewed and the active involvement of Japan in giving aid suggested. There is a concern that the emphasis on the viewpoint of the donor side will weaken the perspective of developing countries and their citizens.

(3) Debates related to Aid Effectiveness

As regards debates related to aid effectiveness, there are mainly two conflicting camps. One camp is represented by the aid community and supporting scholars who argue that aid works and is essential for developing countries to get out of the poverty trap. The representative scholar is Jeffrey D. Sachs. This group is said to be optimistic about aid effectiveness. The other camp is represented by William Easterly who argues that aid didn't work and will not work in the future under the present ideology and system. This group is very pessimistic about aid effectiveness and appeals for the reinvesting foreign aid. There is a vast literature related to aid effectiveness. More scholars have doubts about aid effectiveness.

Here I introduce discussions by William Easterly since his arguments seem to highlight the conflicting points. I quote his main points in the following: "The aid policy-making community tolerates approaches that go against common sense and basic economics." "The aid inflow is administered by the planning mind-set apparatus." "Poverty has not been ended by central planners. It is ended by searchers, in an

unplanned, and spontaneous way. Examples of searchers are firms in private markets and democratically accountable politicians.” “A searcher only hopes to find answers to individual problems of the world poor by trial-and-error experimentation.” “The planners have the rhetorical advantage of promising great things, the end of poverty. The only thing the planners have against them is that plans do not work.” “Simple tests provide no support for either the low-income poverty trap or a role for aid in escaping it in the whole period 1950-2001 and in the period 1950-1975.”⁷

Judging from his arguments, he seems to be a strong believer in a market mechanism based on an economics doctrine, rejecting political and other aspects at all. I think aid is rather a complicated mix of political motivation, economic returns and social aspects. During the Cold War period aid was provided mainly through political motivation. That’s why many despotic and corrupt governments received aid from both blocks. Therefore, it is misleading to test growth rates of the whole period 1950-2001 based on the same criteria. Another matter is the conflict between market mechanism and state intervention. The current global crisis spotlights this matter again. The market mechanism is not a panacea. The conventional economics is also attacked. The books, *Animal Spirits* by George A. Akerlof and Robert J. Shiller, *The Genius of the Beast* by Howard Bloom, and *Freefall* by Joseph E. Stiglitz, challenge conventional economics and markets.

Poverty alleviation is an insurmountable task as William Easterly suggests. He comments on Shahid Yusuf’s book which summarizes the 30 years of development experiences of the World Bank and says “The indomitable in pursuit of the inexplicable”. I agree completely with him. However, we need not only a piecemeal work by searchers, but also ideas of planners and the passion, vigor and honesty of the leaders. We must seek a way of effective aid patiently and implement aid effectively and steadily on a daily basis since poor people must survive daily.

III The Economic Achievements of Developing Countries and Changes in Recent Years

1 The Economic Achievements of Developing Countries

The economies of developing countries were considered to be stagnant and unable to catch up with developed countries for a long time. However, it must be noted that the situation has been gradually changing in recent years. A look at average annual growth rates shows 3.9 % for developing countries and 2.7% for developed countries in 1990-2000 and 6.4% for developing countries and 2.3% for developed countries in 2000-2008 as shown in Table 2. Even though we subtracted population growth rates,

per capita income growth rates of developing countries surpassed those of developed countries.

When we look at the breakdown by region, all regions recorded higher growth rates in 2000-2008 than in 1990-2000. East Asia and the Pacific enjoyed the highest rates with 8.5% in 1990-2000 and 9.1% in 2000-2008, followed by South Asia with 5.5% and 7.4%, Europe & Central Asia with -0.9% and 6.3%, Sub-Saharan Africa with 2.5% and 5.2%, and Middle East & North Africa with 3.8% and 4.7%, and Latin America & the Caribbean with 3.2% and 3.9 % in the same periods respectively. The noticeable thing is a relatively high growth rate of 5.2% during the 2000-2008 period in Africa. This is mainly due to the high energy prices and high growth rates of big economies such as Nigeria and South Africa. China's economic commitments to resource-rich countries in Africa are also contributing to economic growth of Africa. Other emerging nations are also following suit, searching for energy resources in Africa.

The most remarkable thing is the spectacular rise of China which recorded the average annual growth rate of about 10% over the past three decades. It is also noticeable that India has been recording the second highest growth rate. Since these two countries are the most populous ones, their impacts on the world economy are said to be tremendous. The recent remarkable phenomenon has been the rise of populous countries such as Brazil and Indonesia as well as China and India. Other Asian countries are also enjoying high economic growth which is called the virtuous cycle of growth.

Table 2 GDP and Population Growth Rate by Income and by Region

Income/Region	average annual growth %			
	GDP		Population	
	1990-2000	2000-2008	1990-2000	2000-2008
Low and middle income	3.9	6.4	1.6	1.3
East Asia and Pacific	8.5	9.1	1.2	0.8
Europe & Central Asia	-0.9	6.3	0.2	0.1
Latin America & the Caribbean	3.2	3.9	1.6	1.2
Middle East & North Africa	3.8	4.7	2.2	1.9
South Asia	5.5	7.4	1.9	1.6
Sub-Saharan Africa	2.5	5.2	2.6	2.5
High income	2.7	2.3	0.7	0.7
World	2.9	3.2	1.4	1.2

Sources. Compiled from the following materials: The World Bank, *World Development*

Report 2002 and 2010.

(Note) The groups are low and middle income, \$ 11,905 or less and high income, \$11,906 or more in 2008.

2 The Economic Achievements of Asian Countries

The economic achievements of Asian countries are shown in Table 3. If we look at the annual average growth rates in each era, the top five countries are as follows: in the 1960s, Japan with 10.5%, Hong Kong with 10.0%, Taiwan with 9.2%, Singapore with 8.8%, and South Korea with 8.6%; in the 1970s, Taiwan with 10%, South Korea with 9.5%, Hong Kong with 9.3%, Singapore with 8.5%, and Malaysia with 7.8%; in the 1980s, China with 10.1%, South Korea 9.4%, Hong Kong with 6.9%, Singapore with 6.7%, and Taiwan with 6.6%; in the 1990s, China with 10.6%, Vietnam with 7.9%, Singapore with 7.6%, Malaysia with 7.0%, and Cambodia with 7.0%; in 2000 to 2008, China with 10.4%, Cambodia with 9.7%, India with 7.9%, Vietnam with 7.7%, and Laos with 6.9%.

In 1997 Asia was hit by the currency crisis originating from a big fall of the Thai Baht on 2 July. The currency crisis deepened into a financial crisis and economic crisis, and spread to neighboring countries. Seriously affected countries were Thailand, Indonesia, Malaysia, and South Korea. Those which received emergency loans from the IMF were Thailand, Indonesia, and South Korea. Malaysia returned to the fixed exchange system. In Thailand regime change took place, while in Indonesia the Suharto regime, which had lasted for 32 years, collapsed in 1998. The affected countries achieved an economic recovery after a two or three year adjustment process as seen in the Table 3.

A look at the economic development of Asia from the post-war to 2008 shows that Japan led the growth race, recording double-digit growth rates from the late 1950s to the early 1970s. The NIEs (South Korea, Taiwan, Singapore and Hong Kong) followed Japan ten years later, and ASEAN (Malaysia, Thailand and Indonesia) followed the NIEs ten years after that. These eight countries were analyzed as "High-performing Asian economies" by the World Bank (East Asian Miracle). Asian late comers also joined the competition race, that is, China in the 1980s, Vietnam in the 1990s, and India in the 2000s. Cambodia and Laos have been gradually achieving economic development. We can witness a virtuous circle of economic development in which late comers learn and imitate the success of their neighbors in Asia.

Although each country increased per capita income tremendously, there are still big differences in per capita income. When we look at the stage of economic development,

we can divide Asia into three groups in terms of per capita income. The first is the high income group with more than \$10,000 in 2008, namely Japan with \$38,210, Singapore with \$34,760, Hong Kong with \$31,420, and South Korea with \$ 21,530. Brunei and Taiwan which are not included in this Table exceed more than \$10,000. The second is the middle income group with above \$1,000 and below \$10,000, namely Malaysia with \$6,970, the Maldives with \$3,630, China with \$2,940, Thailand with \$2,840, Indonesia with \$2,010, Bhutan with \$1,900, the Philippines with \$1,890, Sri Lanka with \$1,790, Mongolia with \$1,680, and India with \$1,070. The third is the low income group with less than \$1,000, namely Pakistan with \$980, Vietnam with \$ 890, Laos with \$750, Cambodia with \$600, Bangladesh with \$520, and Nepal with \$400.

Table 3 Economic Performance in Asian Countries

	GDP annual average growth rate (%)					Gross National Income (GNI)		PPP Gross National Income (GNI)		Per capita income		
	1960	1970	1980	1990	2000	\$ billion	\$ per capita	\$ billion	\$ per capita	1980	1990	2000
	-1970	-1980	-1990	-2000	-2008	2008	2008	2008	2008			
East Asia												
Japan	10.5	5.0	4.1	1.1	1.6	4,879.2	38,210	4,497.7	35,220	9,890	25,430	34,210
China	5.2	5.8	10.1	10.6	10.4	3,899.3	2,940	7,984.0	6,020	290	370	840
Hong Kong	10.0	9.3	6.9	4.1	5.2	219.3	31,420	306.8	43,960	4,240	11,490	25,950
Korea, Rep. of	8.6	9.5	9.4	5.8	4.5	1,046.3	21,530	1,366.9	28,120	1,520	5,400	8,910
Mongolia	...	...	5.4	1.0	...	4.4	1,680	9.2	3,480	...	...	390
Taiwan	9.2	10	6.6	6.4	3.6							
Southeast Asia												
Cambodia	3.1	...	...	7.0	9.7	8.9	600	26.8	1,820	...	...	260
Indonesia	3.9	7.6	6.1	4.2	5.2	458.2	2,010	875.1	3,830	430	570	680
Laos	...	...	3.7	6.5	6.9	4.7	750	12.8	2,060	...	200	290
Malaysia	6.5	7.8	5.3	7.0	5.5	188.1	6,970	370.8	13,740	1,620	2,320	3,380
Myanmar	...	...	0.6	6.9	...			63.1	1,290	170		
Philippines	5.1	6.3	1.0	3.3	5.1	169.3	1,890	351.3	3,900	690	730	1,040
Singapore	8.8	8.5	6.7	7.6	5.8	167.1	34,760	231.0	47,940	4,430	11,1600	24,740
Thailand	8.4	7.2	7.6	4.2	5.4	217.4	3,400	503.1	7,880	670	1,420	2,010
Vietnam	...	...	4.6	7.9	7.7	77.0	890	232.9	2,700	...	...	390
South Asia												
Bangladesh	3.7	3.9	4.3	4.8	5.9	82.6	520	230.6	1,440	130	210	380
Bhutan	...	...	7.5	...	...	1.3	1,900	3.3	4,880	80	190	550

India	3.4	3.6	5.3	5.9	7.9	1,215.5	1,070	3,374.9	2,960	240	350	460
Maldives	...					1.1	3,630	1.6	5,280			1,460
Nepal	2.5	2.5	4.6	4.9	3.5	11.5	400	32.1	1,120	140	170	220
Sri Lanka	4.6	4.1	4.0	5.3	5.5	35.9	1,790	89.9	4,480	270	470	870
Pakistan	6.7	4.7	6.3	3.8	5.8	162.9	980	448.8	2,700	300	380	470
Low & Middle				3.9	6.4	15,683.1	2,789	29,971.3	5,330			840 1,230
East Asia & Pac				8.5	9.1	5,080.5	2,631	10,425.9	5,398			600 1,060
Europe & C.Asia				-0.9	6.3	3,274.0	7,418	5,393.2	12,219			2,400 2,010
Latin.A. & Cari				3.2	3.9	3,833.0	6,780	5,827.4	10,309			2,180 3,680
M.East&N.Afri				3.8	4.7	1,052.9	3,242	2,330.6	7,308			1,790 2,040
South Asia				5.5	7.4	1,521.6	986	4,217.6	2,734			330 460
Sub-Saharan A.				2.5	5.2	885.3	1,082	1,628.3	1,991			340 480
High Income				2.7	2.3	42,041.4	39,345	39,686.3	37,141			19,590 27,510
World				2.9	3.2	57,637.5	8,613	69,309.0	10,357			4,200 5,150

Source: Compiled from the following: The World Bank, *World Development Report 1982, 1992, 2002*, and 2010
The World Bank, *2008 World Development Indicators*.

3 The Changes in Recent Years

As we already saw in Table 2, developing countries achieved much higher growth rates than developed countries in the period 2000-2008. This seems to be contradictory to the general images that the majority of developing countries still remain stagnant and suffer from poverty. What are the reasons behind these high growth rates of each region of developing countries? There must be new trends in the development pattern of developing countries. I attempt to explain this matter as follows.

First, we must point out that the economic growth patterns of developing countries are becoming more diversified. In the past many countries attained high growth rates through the export-oriented industrialization policies like the NIEs (South Korea, Taiwan, Hong Kong and Singapore). Let's compare their pattern with those of economic growth of the BRIC countries. China attained high economic growth through export-orientation whereas India's high growth was mainly due to internal demand. In the cases of Brazil and Russia, energy and other abundant resources contributed to their high growth.

Second, high economic growth rates may be attributed to economic growth of countries with a large population and economic size. In the case of Asia, China with 1.3 billion population and the third largest economy recorded 10.4% annual growth rate

in 2000-2008 and the highest growth rate of East Asia and the Pacific, while India with 1.1 billion population and the 12th largest economy recorded 7.9% in the same period and the highest growth rate of South Asia. In other regions, those who have the larger population and economic size and exceed average growth rate in the same period are Russia with 6.8% in Europe and Central Asia, Nigeria with 6.6% in Sub-Saharan Africa, Turkey with 5.9% in the Middle East & North Africa, and Argentina with 5.3%, Columbia with 4.9%, Venezuela with 5.2% and Chile with 4.4% in Latin America & the Caribbean.

Third, growth rates of developed countries remained at a low level in recent years. This is mainly due to the maturity of their economies. Their industrial structure is oriented towards the tertiary sector, which means that their economies are more dependent upon consumption. They are shifting their industrial bases to developing countries due to the decline of their competitiveness. However, their populations are aging and face lower birth rates. They cannot create enough internal demand within their countries. In the international market, emerging countries are catching up very rapidly with developed countries.

Fourth, countries with abundant energy resources among the developing countries have great advantages due to the rapid increase of demand from emerging countries. Resource abundance was once considered to be a curse because it often led to the predatory struggle among the interested parties and to the Dutch disease in some cases. But the situation has changed greatly in recent years.

Fifth, we are witnessing the emergence of a massive middle class in the developing world, especially populous countries such as the BRICs. The population factor is becoming crucial in further development. Population abundance was once considered to be a curse for economic development. That's why many countries who experienced postwar population explosion tried to implement family planning. However, global prices of goods and services are becoming lower because of China's cheap export prices. That means low class has also emerged as a new demand target. Once economy is on the right track, large population has potential as a new labor force and a large domestic demand.

Sixth, countries with large land and undeveloped areas also have advantages. Globalization and rapid technological innovation makes the world smaller and make development easier. In that sense those with large land areas have potential for development. There is much room for policy alternatives to invest in infrastructure and to encourage people to migrate.

Seventh, the standards of education and healthcare are gradually rising in

developing countries, which leads to the nurturing of manpower and human resource development. That is supported by the rapid spread of cell phones and internet use. The majority of the people in the developing world now have easy access to information and technology irrespective of their income levels. A lot of chances are given to the poor people. If they improve their abilities, they can climb up the ladder of success by themselves. That applies to the success of a country.

Finally, even though we showed the brighter sides of what is happening in the developing world, we must not forget that the majority of developing countries and their people still suffer from depressed economies and destitute situations. As of 2010, around one billion people live on below one dollar per day in terms of purchasing power parity (PPP) which is the international poverty line and around 800-900 million people suffer from hunger. Poverty reduction is the top priority. Poor people frequently live in inferior environments which are often visited by natural disasters. The Haiti people's poverty which is in the limelight due to the earthquake in 2010 is a typical example of this.

IV The Importance of Human Resource Development and New Needs in Changing Circumstances⁸

1 Overview

It is true that through all ages the people are the key to the rise and fall of a nation. It goes without saying that human resource development is an essential factor in discussing economic development in developing countries. Human resource development was used with almost the same meaning as education in the past, but in recent years it has been used in a broader sense that included health and sanitation as well. Furthermore, the concept of human resource development was used mainly as a means towards economic development in the past, but now human resource development has become an objective in itself as represented in the concept of "human development" of UNDP.

The internal and external circumstances of developing countries have been changing drastically with the progress of globalization since the end of the Cold War. And it is quite natural that further human resource development has been sought during the changing circumstances in the past. The information and communication revolution has suggested new possibilities for development and at the same time new risks which might cause gaps and disparities different from the past. It is vital therefore that we should continue to look at the new needs of human resource

development in developing countries.

Japan should be questioned about the way she deals with issues related to human resource development in developing countries as a major donor member. Japan has so far contributed to human resource development in developing countries, in particular Asia, but we should reexamine the achievements and problems and explore the best ways to cooperate with developing countries and Asia in the coming years. This is an unavoidable issue because Japan is deeply involved in the world.

2. Issues Related to Human Resource Development and Economic Development

Human resource development includes everything to do with the development of an individual's knowledge, ability, and technology, and it is a top priority for that individual and his country. Human resource development itself is the ultimate objective from the viewpoint of the individual and at the same time the human resource development of the individual is indispensable for the economic development of a society and country. There are two aspects of human resource development, one aspect as a means towards economic development, and the other being human resource development as an objective in itself. The former aspect was underlined in the past, but in recent years the latter has been strongly promoted as seen in the concept of "human development."

In the initial stages when industrialization was seen to have the same meaning as economic development, capital investment was crucially important and labor was considered secondary. As economic development progressed, the role of human capital increased and the quality of labor which had been considered homogeneous was questioned. In line with this, the concepts of manpower development and human capital were widely discussed. But in the subsequent periods it became clear that a majority of developing countries were unable to overcome poverty. Based on this experience, government-led development was reexamined and new concepts were launched. They included the people's participation in politics, women's participation in development, advocacy of individual freedom and rights to individual dignity with the benefits of fundamental rights.

In general, the favorable progress of human resource development makes possible the economic development of a country while the progress of economic development promotes human resource development. We cannot necessarily say that there is an automatic relationship between the two, but there is complementarity between them with the support of good policy. In that sense, a comprehensive approach is under way,

considering human resource development not only as the means but also as the objective.

The equipment of the social environment is indispensable for the progress of human resource development. Every individual's fundamental rights to be a beneficiary of human resource development must be guaranteed as the premise of social value judgments. An infrastructure for human resource development must be put in place. This environment means that everybody can have access to basic services such as decent housing, medicine, safe drinking water, etc., and can enjoy equally public equipment such as educational facilities, hospitals and parks, etc.

Human resource development is considered identical to education in a narrow sense, but in a broad sense its coverage is wide-ranging, including population, gender, labor, health, and sanitation. These cannot be completely separated from each other and discussed separately, but we can point out the following problems associated with human resource development.

The problem of population is manifested in the quantity of population when we consider population in relation with economic development. In the initial stages of economic development, the abundance of the population runs counter to its quality as a labor force. Furthermore, the increase of the school-age population and labor force may slow the improvement of educational quality because the educational and training facilities will not be able to cope with the increase of population. Similarly, high population density may lead to the worsening of the health of the population.

As regards labor, the problems of employment and its quality should be analyzed. It is of crucial importance whether employment is secured or not. The existence of surplus labor in rural areas and employment in the informal sector in urban areas is a common feature of developing countries. We can enumerate various problems such as unemployment of unskilled labor, youth unemployment, women's unemployment and unemployment of highly-educated people. Moreover, there is an increasing trend towards labor mismatch at home and brain drain to overseas.

Concerning gender, the status of women is lower and the gap between women and men is bigger in countries with less economic development. As human resource development of women makes progress, health and sanitation will be improved and this will affect children's education favorably. Further education of women will make their marriage age higher, lead them to bear fewer children and promote their participation in society.

Improvement of health and hygiene is basic in human resource development. These will ensure the positive effects of education. Those who suffer from sickness and

malnutrition cannot expect a satisfactory education and development of a sound mentality. The improvement of education leads to the decline of infant mortality thanks to the increase of the mothers' knowledge. Human resource development in recent years has become to be discussed in conjunction with education and health.

Needless to say education is at the core of human resource development. That is why human resource development was often considered the same as education. The coverage of education is wide-ranging, including formal education and informal education. Adult literacy education plays a big role in the early stages of economic development. Then the emphasis shifts to the fulfillment of primary education, improvement of secondary education, and promotion of higher education. With the advancement of economic development, study and training within enterprises are indispensable to their further development. Accumulation of knowledge, ability and technology is essential to entrepreneurship, and R&D is required day by day.

3 New Trends and New Needs in Changing Circumstances

It can be said that discussions on human resource development were mainly around education and were related to the means of economic development. On the contrary, in recent years human resource development has been grasped as a broader concept that includes health and hygiene and at the same time has been dealt with as an objective in itself. It is a fact that the improvements of education, health and hygiene were targeted as an objective in the past, but they were not regarded as an economic objective.

A focus of recent development debates is the Millennium Development Goals targeting poverty eradication. We earlier mentioned eight goals. Among these goals are enumerated education, gender, women, health, population, etc. which relate to human resource development. It is noteworthy here that these items are not dealt with separately, but together within an overall framework.

The turning point of the concepts was the compilation of a Human Development Index by UNDP in 1990. This strongly suggested that indicators of economic development should not be measured only by GNP, but should include other indicators as well. They compiled a Human Development Index (ranges from 0 to 1, higher figures were more favorable) according to three indicators: life expectancy, adult literacy, and GNP per capita. Related to this index, UNDP published a Human Poverty Index and Gender Index as well.

There is a philosophy behind the background to this idea that human resource

development is an ultimate objective and economic growth is only a means. In that sense human resource development such as education and health has been added as the objective. This has brought about a transformation of the concept of development and economic development. According to UNDP, the most basic objectives for human development are to lead long and healthy lives, to be knowledgeable, to have access to the resources needed for a decent standard of living and to be able to participate in the life of the community.

The competitiveness of a country is influenced by human resource development a great deal. The following are typical indicators enumerated when assessing the competitiveness of a country: total public expenditure on education (percentage of GDP); the pupil-teacher ratio in primary education (number of pupils per teacher); the pupil-teacher ratio in secondary education (number of pupils per teacher); secondary school enrolment (percentage of relevant age group receiving full-time education); higher education enrolment (percentage of the population that attained at least tertiary education); educational achievement (meeting the needs of a competitive economy); University education (meeting the needs of a competitive economy); illiteracy (adult (over 15 years) illiteracy rate as a percentage of population); economic literacy (its level among the population); education in finance (its level in a country); the number of qualified engineers available in a country's labor market; and the degree of company-university cooperation.

Entering the post-Cold War era and age of globalization, the world has become more integrated and technology innovation has accelerated. The deepening of knowledge represented in R&D and the continuous creation of new knowledge have brought about renovation and invention and continue to contribute to the progress of humankind. The speed of progress at present is much more rapid than it was in the past. In that sense we are now in an age which demands much higher levels of knowledge.

After the September 11 incident, the concept of human security has been spotlighted because of threats from terror, poverty, global warming, infectious diseases and so forth. The basic idea is to protect human beings from every kind of threat. Based on this premise, we must search for a better life for human beings. This is a very far way, but we must proceed one step further.

V The Conclusion: a Desirable Role for Japan and our Expectations of the IDEAS Program

Japan has implemented wide-ranging cooperation with Asia in the field of human resource development. It is necessary to grasp the trend of the times in our basic attitude towards cooperation. The present is the age of globalization and the acquisition of knowledge using information and communication technology is essential. It is vital that we should always keep this in mind when we cooperate with other countries. The necessity of appropriate technology or intermediate technology was once emphasized concerning technology transfer (we cannot deny its significance even at present), but the relevance of information and communication technology is more important now.

How about receiving Asian people as regular staff at the level of central government and local government? I proposed this in another paper. Japan dispatches experts and volunteers to developing countries as a form of economic cooperation, but this is one-sided cooperation. Of course Japan receives trainees, but this is for short-term courses. Central government and local governments should seriously consider the allotment of a certain number of places to Asian people as regular staff. It will eventually contribute to the nurturing of those Asian people and will be useful for the revitalization of Japan. This has already been practiced in the private sector.

Another consideration in Japan's cooperation is the effective utilization of Japan's strengths and the surplus of talented people. With the increase of an aging population and longer life expectancy, there are many retired people who want to continue to work. We shouldn't lose this chance. It is desirable to extend the age limit of experts who are dispatched overseas. Another one is the utilization of the technology of small and medium sized enterprises. In Asian countries almost all enterprises are small and medium sized enterprises except foreign ventures and a few domestic companies, and there is a great demand for the management and technology skills which Japan possesses.

The final one is the support for human resource development which is matched with the development stage and specific situation of each country. As we have already seen, the development stages of Asian countries differ greatly, and the situation of each country is quite different. Complete equipment for basic education is an urgent task for many South Asian countries while the further improvement of secondary education is required in Southeast Asian countries. Asian NIES have already achieved a similar level of education as Japan. This writer suggests priority should be given to human resource development in South Asia, Southeast Asia (in particular CLMV countries) and Central Asia.

We cannot expect the results of human resource development in a short time because it takes a long time to become fruitful. As we can see from the case of the IDE (Institute of Developing Economies)Advanced School (which is the equivalent of a graduate-level institution and which was established in 1990 with the purpose to nurture internal and external human resources.), the rewards came in after twenty years. IDEAS produced 194 Japanese graduates and 280 overseas graduates from 19 countries as of March 2010. IDEAS has already won an established reputation among development and aid circles both at home and abroad. Most of the Japanese graduates have been engaged in the activities of international aid, development work, research institutes and universities, and many overseas graduates have occupied important posts in their own countries including two ministers (Mongolia and Vietnam) and many executive directors.

IDEAS has made an important footprint in nurturing development experts in both Japan and Asia. Based on this achievement, the IDEAS program should continue to produce both Japanese and overseas graduates in the same mix of Japanese fellow program and overseas fellow program. Through this practice they can learn more from each other and utilize their network for future work.

As we already discussed, there is the increase of the possibility that developing countries might be self-sustained. The nurturing and provision of human resource development is further needed. IDEAS must continue to meet these needs. In addition, IDEAS must also provide a program for meeting new demands such as environment, human security and health.

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The Appendix: Messages from Japanese graduates

Compiled by Kazumi Yamamoto

I sent the following mail to a few Japanese graduates who are now working overseas. IDEAS will hold the 20th anniversary workshop on March 10, 2010 and I am going to give a keynote speech (40 minutes). My paper is attached. At the end of my speech, I would like to introduce the activities of some Japanese graduates who are working overseas. Please inform me about any suggestions and expectations of the IDEAS program as well as your job description and the name of organization. Your comments on my paper are also welcome.

Below are their replies (in alphabetical order).

KITAHARA Naomi (5th batch)

Greetings from Maputo! It is so great to hear from you! I am now in Mozambique, working as Deputy Resident Representative for UNDP Mozambique. I am in charge of the UNDP programme itself (with about \$100 million budget for our 5-year programme; having around 100 staff), and also I am Chair of the UN inter-agency Programme Management Team in Mozambique. Now we are developing the new UN programme in Mozambique (not just UNDP, but "UN"), I am really working 200%! We have 3 main programmes in UNDP, democratic governance (elections, parliamentary development, decentralisation, justice etc); poverty reduction (MDGs, gender and HIV mainstreaming); and crisis prevention and recovery, and environment (disaster risk reduction, climate change, poverty and environment, mine action etc).

After IDEAS, I have been working for the UN system in the past 14 years (with one year with JICA as adviser for the programme in the Democratic Republic of the Congo), and I really see how important it was for me to have been exposed to the IDEAS programme. The content of the IDEAS programme itself is meaningful (esp. areas of macro and micro economics), but also the interactions with people from different cultures and backgrounds were extremely enriching in my life.

About my expectations of IDEAS, I think IDEAS really provides an opportunity to groom future leaders, Japanese or non-Japanese, for the development work. What I am really working on these days is the area of managing diversity and managing people. I believe diversity is a big plus for human thinking, innovation, and thus development, but diversity needs to be managed well. Being in a management position, I try to learn more and more how best I can manage a diverse group of people to get a good job done.

This is usually not easy, if IDEAS can have a component in this aspect for future leaders, I think it will be really good.

I really liked your keynote paper. It is very well structured, and I fully agree with the suggestions you are making on Japanese aid. UNDP tackles human development through the angle of capacity development, as human development is really a large chunk of capacity development. Maybe on the trends of aid, it may be good to highlight the discussions on Paris Declaration and Accra Agenda for Action (AAA). The aid practitioners are now preparing for a meeting in South Korea, and the 5 pillars of Paris (ownership, alignment, managing for results, mutual accountability, and harmonisation) are now the driving forces of aid programmes. I am, by the way, vice-chairing the donor group on Code of Conduct on Aid Effectiveness to localise Paris agenda in Mozambique - the idea is to improve aid through monitoring and peer pressure donor "behaviors" towards the Paris pillars.

I hope this helps....extending my best wishes for the workshop!

RUSSEL Mariko (1st batch)

Thank you for touching basis with me. I am glad to see IDEAS celebrating its 20th anniversary. Taking this opportunity, let me share with you my recent activities.

I continue to work at the Inter-American Development Bank since 1993, which makes 2010 my 18th year in this institution. Since the Bank's realignment in 2007, I work for Institutional Capacity of the State Division in the Vice Presidency for Sector and Knowledge. I work mostly in assisting Latin American and Caribbean countries in improving their statistics and census. This is a great area to work in, since statistics are the base for evidence-based decision making and result-oriented management in the public sector. The region is gradually moving in the direction for applying these principles but there is still a lot that needs to be done to fully implement them. Some countries need to work on improving basic statistics, others need to work on interinstitutional coordination for further developing national statistical system.

As to my expectations for IDEAS, I would like to see IDEAS becoming the center for fostering human resources in the area of international development, not only of Japan but also of entire Asia. I am glad to see that this is happening. As I see the list of people working in many areas, including international organizations, bilateral institutions, academia and non-governmental organizations, I cannot help being impressed with the variety of expertise IDEAS graduates cover now. I would like to remain an active participant of the community IDEAS has successfully built.