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**ENHANCING DEVELOPMENT COOPERATION INCLUDING SOUTH-SOUTH
COOPERATION AND TRIANGULAR COOPERATION TO SUPPORT INCLUSIVE
AND SUSTAINABLE DEVELOPMENT OF THE LLDCS:**

ODA Flows to the LLDCs in Comparative Perspective in Asia

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ODA Flows to the LLDCs in Comparative Perspective in Asia¹

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I. INTRODUCTION

East Asian nations' unprecedented economic growth since the end of the World War II has been praised throughout the world and their formula for development has been sought after by developing nations suffering poverty and lack of development. More recently, these nations have received attention as they became donors of Official Development Assistance (ODA) to less developed countries in the world. Japan being the first East Asian nation to attain rapid economic development since the end of the World War II, it also became the first substantial donor of ODA. It was one of the founding members of the OECD's Development Assistance Committee (DAC) in the 1960s, and has consistently been one of the major donors in the world. However, its assistance has been different from other traditional donors found in Western Europe since it utilized loans than grants, and was tied to domestic enterprises with technical assistance. China is sometimes referred to as an emerging donor, but it refuses such a title claiming its long history of development partnership in particular in Sub-Saharan Africa since the late 1950s. However, it is a rather recent phenomenon that China's ODA volume has grown and received a great deal of scrutiny and criticism for its deviation from the traditional donor-driven global standards of ODA. China's growing ODA has received a great deal of attention not only for its increasing volume but also for its blatant interest in securing energy from sub-Saharan Africa. The Republic of Korea began its ODA in earnest since the late 1980s, and is the newest member to join the OECD/DAC in 2010. Partly due to its young age, the Republic of Korean aid is also different from global standards as it is divided almost equally between concessional loans and grants, and that its aid system is bifurcated.

In spite of the differences among Asian donors, we have witnessed a strong commitment toward regional development in all three donors. In addition, we have noted that Asian donors tended to provide aid in the broader context of foreign capital flows to the developing nations in the region including, but not limited to, foreign direct investment (FDI), trade, and aid.

This paper will examine how East Asian nations and the region as a whole to understand their ODA activities in the region with a special attention to their work in land-locked developing countries (LLDCs) in the region which have some distinct needs for ODA. The remainder of this paper is organized into four parts: Part II provides a brief overview of East Asian development cooperation with reference to their own distinct experience of economic development since the end of WWII in order to shed light on what value-added contribution these nations may bring to the ODA table of menus. Part III provides a comparative analysis of FDI and ODA among Asian donors. Part IV will focus on East Asian donors in LLDCs, and Part V on South-South and Triangular Cooperation (SSTC) in the ESCAP region

II. EAST ASIAN ECONOMIC DEVELOPMENT COOPERATION

A. Japan

As the first non-Western country to achieve economic industrialization, Japan's economic development experience has been followed and replicated by many developing countries in Asia. Regardless of its devastated state in the aftermath of the World War II, Japan achieved notable economic growth in 1955-74 and became the second largest economy in the world. In Japan's industrialization process, key institutions have played crucial role: Ministry of International Trade and Industry (MITI), US Grants, and Zaibatsu.

Japan's economic growth in 1960s and 1970s was initiated from rapid expansion of heavy manufacturing industries such as automobiles, steel, shipbuilding, chemicals, and electronics, with establishment of MITI in 1949. MITI coordinated national industrial policies and nurtured selected industries along with provision of low-cost capital to private sector for long-term growth through the establishment of the Japan Development Bank in 1951.

Close relationships between MITI and Japanese industry enabled many industrial enterprises consolidate to form larger and more efficient units (Johnson 1982). Large holding companies formed wealth groups, or *zaibatsu*, which dominated most industries and were the most productive before the World War II dissolved. After the war *keiretsu*--large, modern industrial enterprise groupings emerged. It was the coordination of activities within these groupings and integration of smaller subcontractors into the groups that enhanced industrial efficiency.

After the World War II, the priority was given to economic expansion. In order to achieve rehabilitation, Japan established strategic relationship with the United States: military alliance with the US guaranteed Japan's national security, thereby enabling Japan to focus on economic growth (Atanassova-Cornelis 2006). Also, during military occupation from 1946 to 1952, the US provided assistance. Total amount of assistance to Japan during the period was roughly USD 2.2 billion (USD 15.2 billion in 2005 dollars) and about 4% of GNP. 77% of assistance was provided as grants from the Government Appropriations for Relief in Occupied Area (GARIOA) and 23% as loans (Serafino et al. 2006). GARIOA was characterized as an emergency relief aid to assist with US-occupied areas in need of basic subsistence including food, medicine, and fuel (Lee 2004: 35).

Table 1. Japan as a Recipient of ODA: US Assistance FY 1946-1952 (Millions of USD)

	1946	1947	1948	1949	1950	1951	1952	Total
Total Grants	82.7	291.0	375.4	388.8	283.6	225.1	49.9	1 969.5
GARIOA	82.7	291.0	375.2	388.8	283.5	225.1	48.4	1 694.7
UNRRA & Interim Aid	0	0	0.2	0	0	0	0	0.2
Food Grants	0	0	0	0	0	0	1.5	1.5
Total Loans	24.0	98.3	108.3	112.7	81.8	65.2	13.7	504.0
Totals	103.7	389.3	483.7	501.5	365.4	290.3	63.7	2 200.6

Source: US Agency for International Development. US Overseas Loans & Grants Database.

An estimate of USD 655 million of ODA has been contributed to economic recovery (industrial materials, including machinery and raw goods; petroleum and products; and transportation, vehicles, and equipment) (Nanto 1977). In addition, payments to civilians and miscellaneous which amount to USD 67 million and USD 63 million respectively contributed to economic reconstruction, especially as Japanese labor force was provided incentives in order to encourage production (Serafino et al. 2006). Most of the rest went to agricultural equipment, foodstuffs, and food supplies with smaller amounts spent on medical and sanitary supplies, education, and clothing.

Japan as a donor of financial assistance to developing countries and international agencies has grown significantly in the form of war reparation since joining the Colombo Plan in 1954, making it one of the world's leading donor countries and its largest net creditor. In 2009, total volume of ODA reached USD 9.48 billion or 0.18% of GNI, as compared with USD 3,797 million in 1985. 94.7% of ODA is provided as untied aid and 41.0 % as grants.

B. The Republic of Korea

The Republic of Korea's phenomenal double-digit economic development based on export-oriented industrialization since the early to mid-1960s was based on the developmental state, large family-owned business conglomerates (*chaebol*), and foreign capital provided as grant aid and concessional loans (E. M. Kim 1997).

Between 1961 and 1975, the Republic of Korea experienced a period of rapid economic development, and foreign capital was provided more in concessional loans, whereas grants decreased substantially by the end of the 1950s. Grants and concessional loans provided to the government of the Republic of Korea acted almost like domestic capital, allowing the government to utilize these funds to support its industrial policies (E. M. Kim 1997).

The Republic of Korea's history as a recipient of ODA began in 1945 after it liberated from the Japanese Colonial Rule (1910-1945). The US aid during the US occupation period, 1945-1948, totaled USD 409.4 million and the US also provided concessional loans with a total of USD 24.9 million, thus bringing the total ODA provided by the US to USD 434.3 million (Lee 2004). In addition to grants, the United Nations Relief and Reconstruction Agency also provided emergency relief aid as well as infrastructure, but the details were not available (Ibid.: 37).

During the first half of the Republic of Korea's economic development (1961-1975), 50.7% of ODA was provided as grants whereas 49.3% was provided as concessional loans (Lee 2004: 59). More importantly, while the US provided 63.6% of ODA to the Republic of Korea in 1961-1975, it became a much less important provider of ODA during 1976-1990 when it provided only 14.6% of ODA. Japan provided 57.4%, and other nations provided 28% of ODA during this period (Lee 2004: 57). ODA to the Republic of Korea totaled USD 3,941.4 million in 1961-1975 and decreased to USD 3,510.8 million in 1976-1990 (Ibid.: 57). Table 2 presents the total ODA to the Republic of Korea from 1945 until the late 1990s.

Table 2. The Republic of Korea as a Recipient of ODA, 1945-1999

	1945-1960	1961-1975	1976-1990	1991-1999	Total
Grants (USD million)	3 045.6	1 999.0	750.4	1 202.5	6 997.5
Grants/ODA (%)	(98.3%)	(50.7%)	(21.4%)	(54.0%)	(54.8%)
Concessional Loans (USD million)	52.3	1 942.4	2 760.4	1 023.7	5 778.8
Concessional Loans/ODA (%)	(1.7%)	(49.3%)	(78.6%)	(46.0%)	(45.2%)
Total (USD million)	3 097.9	3 941.4	3 510.8	2 226.2	12 776.3
	(100%)	(100%)	(100%)	(100%)	(100%)

Source: Lee 2004: 74.

By 1975, the Republic of Korea's GNP per capita reached USD 574 million, and the Republic of Korea finally graduated from being a recipient when it paid off the structural adjustment loan from the World Bank in 1995 (Ibid.: 66).

Although the first time the Republic of Korea participated as a donor was in 1967 when it was asked by USAID to help with a training program, it was not until the late 1980s when the Republic of Korea emerged as a donor. In 1987, the government of the Republic of Korea established the Economic Development Cooperation Fund (EDCF) and placed it under the Export-Import Bank of South Korea (also known as South Korea Eximbank) to handle concessional loans. In 1991 the South Korea International Cooperation Agency (KOICA) was established to handle grants. Table 3 provides the total volume of ODA the Republic of Korea provided from 1987. The figures show that the Republic of Korea's ODA increased very rapidly since the early 1990s after it established the two main aid implementing agencies.

Table 3. The Republic of Korea as a Donor of ODA, 1987-2010 (Millions of USD)

	Total ODA	Bilateral ODA			Multilateral ODA	ODA/GNI (%)
		Sub-total	Grant	Loan		
1987	23.50	1.42	1.42	--	22.08	0.02
1988	34.00	2.10	2.10	--	31.90	0.02
1989	33.80	5.04	3.27	1.78	28.75	0.02
1990	61.16	12.25	3.26	8.99	48.91	0.02
1991	57.47	31.52	25.04	6.48	25.96	0.02
1992	76.80	45.22	30.99	14.23	31.59	0.02
1993	111.56	60.12	32.68	27.44	51.44	0.03
1994	140.22	60.07	38.45	21.62	80.15	0.03
1995	115.99	71.46	50.11	21.35	44.53	0.02
1996	159.15	123.31	53.41	69.90	35.84	0.03
1997	185.61	111.34	54.77	56.57	74.27	0.04
1998	182.71	124.70	37.21	87.48	58.01	0.05
1999	317.49	131.35	38.95	92.40	186.14	0.07
2000	212.07	131.18	47.78	83.41	80.89	0.04
2001	264.05	171.54	52.97	118.57	93.11	0.06
2002	278.78	206.76	66.70	140.06	72.02	0.06
2003	365.91	245.17	145.46	99.71	120.74	0.06
2004	423.32	330.76	212.09	118.68	92.56	0.06
2005	752.32	463.30	318.00	145.30	289.01	0.10
2006	455.25	376.06	258.95	117.11	79.19	0.05
2007	696.11	490.52	358.33	132.19	205.59	0.07
2008	802.34	539.22	368.67	170.55	263.12	0.09
2009*	1 094.1	791.8	441.8	350.0	302.3	0.11
2010*	1 341.1	990.5	520.5	470.0	350.6	0.13

Sources: 1987-2008: Export-Import Bank of Korea 2009: 17-20;
2009-2010: Office of the Prime Minister 2009.

Notes: Figures for 1987-2008 are based on net disbursements.
* 2009 and 2010 figures are based on estimates and are in Korean billion Won.

The Republic of Korea's ODA began with multilateral aid, which primarily consisted of contribution to international organizations devoted to development assistance. This gradually changed to bilateral aid, which by 1991 was twice the size of multilateral aid. In 1993 the Republic of Korea's ODA volume reached over USD 100 million for the first time, and it continued to grow quite rapidly throughout the 1990s, reaching USD 200 million by the year 2000. However, it is interesting to note that the Republic of Korea's ODA's configuration in bilateral aid changed from more in grants vis-à-vis concessional loans during 1996-2002.

In 2003 there was rather an abrupt shift in favor of grants within bilateral ODA. In 2002 concessional loans was at one of its highest shares with 67.74% while grants was at 32.26% (see Table 4). This changed in 2003 to 59.33% of grants and 40.67% in concessional loans, changing the pattern of bilateral ODA from 1996-2002. This pattern of more grants versus concessional loans in bilateral ODA has continued to the present, which is more in line with global standards for ODA among the donor countries.

Table 4. Configuration of Bilateral Aid, 2000-2010 (%) (Millions of USD)

	Grant Aid	Concessional Loan
2000	36.42	63.58
2001	30.88	69.12
2002	32.26	67.74
2003	59.33	40.67
2004	64.12	35.88
2005	68.64	31.36
2006	68.86	31.14
2007	73.05	26.95
2008	68.37	31.63
2009	55.80	44.20
2010	52.55	47.45

Sources: 2000-2008: Export-Import Bank of Korea 2009;
2009-2010: Office of the Prime Minister's Office 2009.

Notes: 2000-2008 figures are based on net disbursements;
2009-2010 figures are based on estimates.

The Republic of Korea has recently received attention from the world as one of the newly emerging donors along with much larger aid donors such as China. Although the Republic of Korea's ODA/GNI is still at about 0.09-0.1%, which is far below the OECD/DAC average of 0.25%, its ODA volume has now reached over USD 1 billion.

C. China

From 1949 to 1978, China initiated its economic development policies with an annual average growth rate of 4% from 1953 to 1978; and achieved annual GDP growth per capita of 8 to 10% after the economic reform in 1978 (World Bank 1997).

China began to accelerate its economic development with reform and open-door policy in 1978. This economic reform includes price and ownership incentives for farmers, special economic zones for foreign investment, and decentralization of economic policymaking in some sectors, especially trade (Morrison 2006). From 1978 to 1992, China intended to accelerate domestic economy by building external relations with open-door policy in 1980s, good neighbor policy in 1990s and go global strategy since 2002. Chinese development was driven by National

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