

Private Sector Development Trade and Investment Promotion

Thematic Guidelines

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Preface

Private sector development is an approach to the economic development which leverages the vitality of private companies. The private sector growth serves as a source of economic growth, and is expected to contribute to the expansion of employment opportunities for people and the reduction of poverty. In preparing the Thematic Guidelines on JICA's private sector development, we focused on 1) "trade and investment promotion" which discusses how the private sector in developing countries can reap benefits of globalization in an environment where international production and commercial transactions have become widespread in the global markets and 2) "small and medium-sized enterprises (SME) promotion" which discusses how to promote small and medium-sized enterprises that form a large part of the economy of developing countries and play an important role in promoting a sustainable and strong economy and industry and reducing poverty.

In many developing countries, the support needs for the development of the private sector, as a source of wealth creation, have been increasing to achieve sustainable economic growth and poverty reduction. Above all, with the globalization of economy in recent years, trade and investment promotion brings positive effects to companies, such as the expansion of markets and the introduction of new capital and technology, but at the same time, it also has an impact that accelerates a shakeout of uncompetitive industries and companies. Accordingly, in considering the private sector development in developing countries, it is an important challenge to capture opportunities and reduce risks arising from globalization. Under such circumstances, in the field of private sector development, it is also an important challenge to promote SMEs that are an important component of economy and industry of each country which play an important role in strengthening industrial competitiveness, creating jobs, and reducing poverty. Thus, in providing support in the private sector development field, both trade and investment promotion and SME promotion should be implemented in a consistent manner.

In trade and investment promotion and SME promotion, it is important to implement various policies and measures necessary for trade and investment promotion and SME promotion respectively and at the same time, to improve business environment that serves as a prerequisite for private companies to conduct business fairly and freely. The former (i.e., various policies and measures necessary for trade and investment promotion) includes measures to reduce trade and investment obstacles, support

measures for trade and investment activities of industries, and measures to increase linkages among companies and their competitiveness. The latter (i.e., improving business environment) involves political and macroeconomic stability as well as a wide-ranging complex of conditions, including policies, legal systems, infrastructure development, education and human resources development related to the operation of socio-economy. Both of the Thematic Guidelines for “Trade and Investment Promotion” and “Small and Medium-sized Enterprises (SME) Promotion” describe matters related to the former (direct policies and measures) and the latter (a wide range of items that have an impact on economic activities). With regard to the latter, items that are particularly related to the provision of support for each field have been taken up and discussed. In examining the support for the private sector development, it is recommended to use both of the above Thematic Guidelines and also other related Thematic Guidelines as needed.

This volume of Thematic Guidelines describes the current overall situation, trends and support approaches, and other matters related to the field of trade and investment promotion. After 2003, when the previous version of the Guidelines was published, the situation surrounding developing countries and Japan’s ODA has changed. The needs of Africa in this field have increased and partnerships with the private sector, including Japanese companies, in the economic and industrial development of developing countries have also been regarded as important in recent years. Therefore, items concerning these points have been added to the Thematic Guidelines. This volume shows the direction of cooperation and points to be noted regarding JICA’s projects, and they have the following applications:

- Use as the basic material for analyzing and reviewing country-wise assistance by JICA
- Use as the basic material for project formulation and program development
- Use as the material for explaining JICA’s approaches on private sector development when JICA executives/staff, survey team members and experts have discussions with partner countries and other donors
- Share the ideas and approaches on private sector development within JICA by storing the Guidelines in the JICA Knowledge Site

Through making them public via the JICA Knowledge Site, etc., we also expect the Guidelines to be used for promoting public understanding on JICA’s basic approaches to trade and investment promotion.

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● Trade and Investment Promotion: Development Strategic Goals in the Thematic Guidelines

Development Strategic Goal 1:	Improvement of business environment
Mid-term Objective 1-1:	Improvement of related policies and systems
Mid-term Objective 1-2:	Infrastructure development
Development Strategic Goal 2:	Improvement of systems for trade promotion
Mid-term Objective 2-1:	Reduction of trade obstacles
Mid-term Objective 2-2:	Strengthening of international competitiveness
Development Strategic Goal 3:	Improvement of systems for investment promotion
Mid-term Objective 3-1:	Improvement of investment policies and systems
Mid-term Objective 3-2:	Strengthening of investment promotion functions

● Small and Medium-sized Enterprises (SME) Promotion: Development Strategic Goals in the Thematic Guidelines

Development Strategic Goal 1:	Development of policies and institutions for SME promotion
Mid-term Objective 1-1:	Establishment of SME-related policies and legal system
Mid-term Objective 1-2:	Establishment of institutional arrangements for policy implementation
Development Strategic Goal 2:	Enhancement of competitiveness of businesses
Mid-term Objective 2-1:	Promotion of collaboration among businesses and related organizations
Mid-term Objective 2-2:	Strengthening of managerial and technical capacities of businesses
Mid-term Objective 2-3:	Improvement of access to finance
Mid-term Objective 2-4:	Development of business and technical human resources

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Abbreviations

Abbreviation	English name	Japanese name
AfT	Aid for Trade	貿易のための援助
AJCEP	ASEAN-Japan Comprehensive Economic Partnership	日アセアン包括的経済連携
APEC	Asia-Pacific Economic Cooperation	アジア太平洋経済協力
ASEAN	Association of South - East Asian Nations	東南アジア諸国連合
BMZ	Federal Ministry for Economic Cooperation and Development of Germany	ドイツ連邦経済協力開発省
BOP	Base (or Bottom) of the Pyramid	開発途上国の貧困層
CB	Certification Body	認証機関
CLMV	Cambodia, Laos, Myanmar, Vietnam	カンボジア、ラオス、ミャンマー、ベトナム
CTBI	Cross Border Transport Infrastructure	クロスボーダー交通インフラ
DANIDA	Danish International Development Agency	デンマーク国際開発庁
DFID	Department for International Development	英国国際開発省
DPL	Development Policy Lending	開発政策借款
DPTP	Department of Production and Trade Promotion	商工業省貿易促進局
EIA	Economic Integration Agreement	経済統合協定
EPA	Economic Partnership Agreement	経済連携協定
EPZ	Export Processing Zone	輸出加工区
EU	European Union	欧州連合
FDI	Foreign Direct Investment	外国直接投資
FPI	Foreign Portfolio Investment	外国間接投資
FTA	Free Trade Agreement	自由貿易協定
GATS	General Agreement on Trade in Services	サービスの貿易に関する一般協定。WTO 協定の一部
GATT	General Agreement on Tariffs and Trade	関税及び貿易に関する一般協定 WTO 協定の一部
GIZ	German Agency for International Cooperation	ドイツ国際協力公社

GRIPS	National Graduate Institute for Policy Studies	政策研究大学院大学
HIDA	The Overseas Human Resources and Industry Development Association	海外産業人材育成協会
IBRD	International Bank for Reconstruction and Development	国際復興開発銀行
ICT	Information and Communication Technology	情報通信技術
IDA	International Development Association	国際開発協会
IEC	International Electrotechnical Commission	国際電気標準会議
IECEE	IEC System for Conformity Testing to Standards for Safety of Electrical Equipment	電気機器安全規格適合支援制度
IFC	International Financial Corporation	国際金融公社
IJEPA	Indonesia-Japan Economic Partnership Agreement	日インドネシア経済連携協定
IMF	International Monetary Fund	国際通貨基金
ISO	International Organization for Standardization	国際標準化機構
IPA	Investment Promotion Agency	投資促進機関
IPDL	Industrial Property Digital Library	外部公開用電子図書館
ITU	International Telecommunication Union	国際電気通信連合
JBIC	Japan Bank for International Cooperation	国際協力銀行
JET	Japan Electrical Safety & Environment Technology Laboratories	電気安全環境研究所
JETRO	Japan External Trade Organization	日本貿易振興機構
JQA	Japan Quality Assurance Organization	日本品質保証機構
LDC	Less Developed Countries	後進発展途上国
M&A	Mergers and Acquisitions	合併・買収
M/P	Master Plan	全体計画
MDGs	Millennium Development Goals	国連ミレニアム開発目標
MIGA	Multilateral Investment Guarantee Agency	多国間投資保証機関

MRA	Mutual Recognition Agreement	二国間の相互認証協定
NAFED	National Agency For Export Development	インドネシア輸出振興庁
NAMA	Non-Agricultural Market Access	非農産品市場アクセス
NCB	National Certification Body	国内認証機関
NGO	Non-Governmental Organizations	非政府組織
NIES	Newly Industrializing Economies	新興工業経済地域
OECD	Organization for Economic Co-operation and Development	経済協力開発機構
OJT	On the Job Training	職場内訓練
OSBP	One Stop Border Post	ワン・ストップ・ボーダー・ポスト
PFI	Policy Framework for Investment	投資のための政策枠組み
PPP	Public-Private Partnership	官民パートナーシップ
アールセツプ RCEP	Regional Comprehensive Economic Partnership	東アジア地域包括的経済連携
TBT 協定	Agreement on Technical Barriers to Trade	WTO の貿易の技術的障害に関する協定 WTO 協定の一部
TPP	Trans-Pacific Strategic Economic Partnership Agreement	環太平洋戦略的経済連携協定
TRIPs	Agreement on Trade-Related Aspects of Intellectual Property Rights	知的財産権の貿易関連の側面に関する協定 WTO 協定の一部
TRIMs	Agreement on Trade-Related Investment Measures	貿易に関連する投資措置に関する協定 WTO 協定の一部
UNCTAD	United Nations Conference on Trade and Development	国際連合貿易開発会議
UNIDO	United Nations Industrial Development Organization	国際連合工業開発機関
USAID	United States Agency for International Development	米国国際開発庁
WCO	World Customs Organization	世界税関機構
WTO	World Trade Organization	世界貿易機関

Overall Structure of the Developmental Themes¹

Development Strategic Goals		Mid-term Objectives	Sub-targets	Cooperation Items	Completed	Outlooks
1	Improvement of business environment	Improvement of related policies and systems	Formulation of industry promotion policies and master plans (M/Ps)	Policy advice (policy dialogue, policy advisers) Support for formulation and implementation of master plans (M/Ps) and policies	○○	○○
			Improvement of industrial base systems	Intellectual property systems and standards and conformity assessment systems (measurement standards, certification systems, standardization, etc.) to realize smooth, sound trading and distribution of goods and services (For details about the improvement of basic laws and industrial human resources development and financial systems to promote a smooth securement of human resources and funds, Refer to other guidelines and papers.)	○	○○
		Infrastructure development	Improvement of economic infrastructure	Transportation, power transmission and distribution, telecommunications, cross border transport, etc. ⇒ For details, refer to other guidelines and papers.	○○○	○○○
			Development of special economic zones and industrial parks	Special economic zones, industrial parks	○	○○
2	Improvement of systems for trade promotion	Reduction of trade obstacles	Reduction of tariffs and non-tariff barriers	Formulation of trade policies and systems, improvement of abilities to implement trade policies and systems	○	○
			Facilitation of trade procedures	Streamlining of the trade permit procedures, improvement of efficiency in customs procedures, introduction of a single window system, One-Stop Border Post	○○	○○
		Strengthening of international competitiveness	Improvement of access to foreign markets	Improvement of capacities for implementing trade practices and marketing Improvement of capacities of trade promotion agencies	○○	○○
			Strengthening of companies' capacities for management and production	Improvement of quality and productivity Conformity with international food safety standards, packaging technologies, etc. ⇒ For details, refer to other guidelines and papers.	○○○	○○○
3	Improvement of systems for investment promotion	Improvement of investment policies and systems	Formulation and implementation of investment promotion policies	Investment dialogues, advice on policies and measures for investment promotion, investment environment survey, program loan	○	○○
			Simplification of investment procedures	Improvement of investment procedures, one stop service	○	○○
		Strengthening of investment promotion functions	Strengthening of capacities and systems for investment promotion	Establishment of investment promotion agencies, strengthening of functions (dispatching of investment missions, holding of investment seminars, preparation of investment handbooks, establishment of Japan desks, etc.)	○○	○○○

¹ The level of "completed" is judged by the number of related projects already completed (the more circles there are, the better). The level of "outlook" is judged by the statuses of recent requests from various countries and trends in projects and by the view of the Private Sector Development Group regarding the effectiveness of cooperation (the more circles there are, the more likelihood for expansion).

Summary

Chapter 1 Development and Trade/Investment	
1-1 Current status of Trade and Investment	<ul style="list-style-type: none"> • During the 60 years after World War II, international trade has consistently expanded. With an increase in international commercial transactions and cross-border corporate activities, overseas mergers and acquisitions have been accelerated and multinational companies have actively expanded their business operations overseas, and as a result, global direct investment has rapidly increased in the past 50 years. • In the background of the increase in trade and investment, there have been eight rounds of multilateral trade negotiations after World War II through which trade and investment rules have been developed and tariffs have been reduced. In recent years, efforts toward Economic Partnership Agreements (EPAs) and Free Trade Agreements (FTAs) have been accelerated, and more than 200 EPAs and FTAs are currently in force worldwide. Regional economic integration has also been promoted as illustrated by cases like EU, NAFTA, MERCOSUR, and AFTA. • The share of developing countries in the total world trade (exports plus imports) has consistently increased since 2000. Direct investment in developing countries has also increased, and almost half of the worldwide foreign direct investment flowed into emerging and developing countries in 2011. • The total trade of Japan (exports plus imports) increased by 2.1 times since about 30 years ago and by more than 8.8 times since about 40 years ago. Japan’s foreign direct investment in 2011 recorded the second highest figure in history, following the record high achieved in 2008. Considering it important to expand trade by promoting economic partnership agreements with other countries, including developing countries, and support the overseas development of Japanese companies, Japan has been aggressively promoting bilateral and regional economic partnerships.
1-2 Definition of trade and investment	<ul style="list-style-type: none"> • “Trade” is generally defined as cross-border commercial transactions of goods and services. • “Investment (overseas investment)” is defined as international movements of capital conducted for the purpose of earning profits,

	<p>which can be classified into “foreign direct investment (FDI)” conducted for establishing a new base or corporation or participating in management of invested companies and “foreign portfolio investment (FPI) or investment in securities” conducted for the collection of invested funds such as interests, dividends, and capital gains in the credit and stock markets. These Thematic Guidelines mainly discuss the former (FDI).</p>
1-3 Trends in international assistance	<ul style="list-style-type: none"> • The United Nations set “Develop a Global Partnership for Development” as one of the Millennium Development Goals (MDGs) and committed to “address the special needs of least developed countries” in the field of trade. To achieve the commitment, international efforts are being made to allow imports from least developed countries to enter duty-free. • At the United Nations International Conference on Financing for Development in Monterrey (March 2002) co-hosted by the United Nations, IMF, World Bank, and WTO, the importance of assistance in the field of trade and investment promotion was widely recognized. • WTO, OECD, and other international agencies developed international frameworks, such as the Aid for Trade (Aft) initiative and the Policy Framework for Investment (PFI), in order to promote trade and investment in developing countries.
1-4 Support trends of Japan	<ul style="list-style-type: none"> • In the “Japan’s Official Development Assistance Charter (ODA Charter),” the cooperation in the field of trade and investment is recognized as important for sustainable growth in developing countries. In the “Medium-Term Policy on Official Development Assistance” as well, “sustainable growth” is identified as a priority issue, and refers to the importance of promoting activities by the private sector including trade and investment.
<p>Chapter 2 Challenges and Support Approaches to Promotion of Trade and Investment</p>	
2-1 Support areas in the field of trade and investment promotion	<ul style="list-style-type: none"> • In the midst of the trend of rapid globalization of economy in recent years, it is difficult for many developing countries to accomplish economic growth without joining the current of globalization. It is therefore important to avoid disadvantages of globalization while enjoying its benefits. • For the promotion of trade and investment in developing countries,

	<p>there are challenges to be proactively addressed by governments and those by the private sector. While these Thematic Guidelines mainly cover challenges to be proactively addressed by public institutions such as government agencies, efforts should be made to provide efficient support by also including, as needed, a wide range of actors other than public institutions such as the private sector and experts from academic circles as the target of direct and indirect support.</p> <ul style="list-style-type: none"> • The development challenges are classified into three areas: “Improvement of business environment” closely related to both trade and investment, and “Improvement of systems for trade promotion” and “Improvement of systems for investment promotion” specialized in respective fields.
<p>2-2 Challenges and support approaches to promotion of trade and investment</p>	<p><u>(1) Development Strategic Goal 1 “Improvement of business environment”</u></p> <p>As a prerequisite for developing countries to enjoy benefits of free trade and the acceptance of foreign direct investment, a business environment where private companies, i.e. key players for trade and investment activities, can conduct business fairly and freely needs to be developed. The “business environment” consists of wide-ranging complex items including policies, laws, institutions and regulations that affect business activities. Among them, these Thematic Guidelines mainly focus on the “improvement of related policies and systems” and “infrastructure development” that are especially important from the perspective of trade and investment promotion and have track records in JICA’s support projects.</p> <p>Mid-term Objective 1-1: Improvement of related policies and systems</p> <p>Sub-target 1-1-1: Formulation of industry promotion policies and master plans (M/Ps)</p> <p>Sub-target 1-1-2: Improvement of industrial base systems</p> <p>Mid-term Objective 1-2: Infrastructure development</p> <p>Sub-target 1-2-1: Improvement of economic infrastructure</p> <p>Sub-target 1-2-2: Development of special economic zones and industrial parks</p> <p><u>(2) Development Strategic Goal 2 “Improvement of systems for trade promotion”</u></p> <p>We will extend cooperation to develop trade policies and systems</p>

	<p>required for developing countries to enjoy benefits of the free trade system and facilitate trade procedures operations at national boundaries. To strengthen international competitiveness of companies, we also provide support to enhance the capacity to access foreign markets and promote strengthening of management and production capacities of companies themselves.</p> <p>Mid-term Objective 2-1: Reduction of trade obstacles</p> <p> Sub-target 2-1-1: Reduction of tariffs and non-tariff barriers</p> <p> Sub-target 2-1-2: Facilitation of trade procedures</p> <p>Mid-term Objective 2-2: Strengthening of international competitiveness</p> <p> Sub-target 2-2-1: Improvement of access to foreign markets</p> <p> Sub-target 2-2-2: Strengthening of companies' capacities for management and production</p> <p><u>(3) Development Strategic Goal 3 “Improvement of systems for investment promotion”</u></p> <p>Investment promotion in these Thematic Guidelines mainly covers FDI intended for job creation, promotion of local industries, and furthermore trade expansion and economic development through the introduction of foreign capital and technologies. Development Strategic Goal 3 aims to develop policies and systems and enhance Governments' investment promotion capabilities, which is necessary to promote FDI with the effects mentioned above.</p> <p>Main motives for companies to make foreign direct investment are (1) sales at local markets (motive to enter markets), (2) low-cost production (motive to pursue production efficiency) and (3) acquisition of natural resources (motive to obtain natural resources), etc., and companies make foreign investment in the markets that can respond to such motives. While the main premise of investment promotion is to improve the investment climate for private companies to conduct business fairly and freely as mentioned above in Development Strategic Goal 1, building upon this, it is effective to provide complementary support in developing investment policies and systems and strengthening the administrative investment promotion functions in order to back up investment by foreign companies.</p> <p>Mid-term Objective 3-1 Improvement of investment policies/systems</p> <p> Sub-target 3-1-1 Formulation and implementation of investment</p>
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	<p>promotion policies</p> <p>Sub-target 3-1-2 Simplification of investment procedures</p> <p>Mid-term Objective 3-2 Strengthening of investment promotion functions</p> <p>Sub-target 3-2-1 Strengthening of capacities/systems for investment promotion</p> <p>The main text describes “support approaches” for the above sub-targets and “Important considerations in implementing projects” based on experiences of JICA’s projects. For example, regarding industrial promotion policies and master plans, the text describes the important considerations like “for ‘industrial policies and policy dialogues’ to function, it is necessary to ensure the top-level commitment of the developing country and the consistency of the dialogue themes with the country’s needs at the time,” which are used as a reference for project formulation and consideration of project design.</p>
<p>Chapter 3 Direction of JICA’s Cooperation in the Area of Trade and Investment Promotion</p>	
<p>3-1 Basic concept</p>	<ul style="list-style-type: none"> • Toward “Inclusive and Dynamic Development” as JICA’s vision, JICA provides support so that developing countries may broadly enjoy benefits from globalization and dynamic changes of the economy, while minimizing negative impacts caused by trade and investment promotion. • By actively using viewpoints and experience of Japan as an industrial and trading nation, JICA provides support so that each country may soundly develop in the international trade and investment framework, such as WTO and FTA/EPA. • Bearing in mind that private companies are the main players of trade and investment, JICA supports not only the improvement of business environments, policies and systems that allow private companies to soundly and smoothly conduct trade and investment activities but also the establishment of support systems to strengthen international competitiveness of private companies in developing countries. • When providing cooperation, it is important to build mutually beneficial trade and investment relations between Japan and foreign

	countries. JICA pays attention to making contribution in this regard.
3-2 Points to keep in mind by region	<p>(1) Asia</p> <ul style="list-style-type: none"> • Under the circumstances where intraregional trade and investment are increasing due to ASEAN integration, JICA puts emphasis on cooperation in line with trade negotiations for promoting EPA, strengthening of intellectual property right system and mutual recognition, etc., in order to deepen economic relations between Japan and the ASEAN region. In providing support to less developed ASEAN countries, it is necessary to make sure that the ASEAN integration would not widen economic disparities among the member countries. In the South Asian region, as an increasing number of Japanese companies are implementing or examining business expansion, JICA backs up such movement and provides support for the benefits of both Japanese companies and partner countries. <p>(2) Latin America</p> <ul style="list-style-type: none"> • JICA provides focused support to countries that are economically closely linked to Japan and cooperate with them in a mutually beneficial way for both the countries and Japan. <p>(3) Africa</p> <ul style="list-style-type: none"> • With a focus on countries with investment potential, JICA provides support for the improvement of business environments where foreign companies including Japanese companies can smoothly and actively make an investment, the strengthening of investment promotion functions, the enhancement of competitiveness of local companies that can be partners of foreign companies, and others. In addition, from the viewpoint of market expansion through regional integration, JICA puts emphasis on support for the effective functioning of the framework of Regional Economic Communities (RECs). <p>(4) Middle East</p> <ul style="list-style-type: none"> • In consideration of the unemployment problem of young people, JICA provides focused support to develop industries with high employment creation potential by supporting investment promotion and trade expansion.

<p>3-3 Future issues to be examined</p>	<p>(1) Rolling out of support using Japanese and Asian experience</p> <ul style="list-style-type: none"> • It is anticipated that there will be an increasing demand for the type of support where the achievements of trade and investment promotion activities in Japan as well as Asian countries supported by Japan are applied and disseminated in Africa and other regions. As a matter of fact, in Africa and other regions, Asian knowledge not only about successful experience and lessons but also about failures in the past and how to cope with the current problems are required. In order to advance cooperation of this type, network building and collaborative activities with third country resources are needed. <p>(2) Promotion of collaboration with the private sector</p> <ul style="list-style-type: none"> • Based on the viewpoint that it is indispensable to strengthen collaboration with private companies as development cooperation partners, JICA will continue to collaborate with companies in its activities. <p>(3) Support for overseas expansion by Japanese companies</p> <ul style="list-style-type: none"> • JICA puts emphasis not only on supporting overseas expansion of Japanese-affiliated manufacturers but also on mutually beneficial cooperation through which local companies develop together with manufacturers entering local markets. It is also expected that such cooperation will contribute to forming global value chains and furthering enhancement of the industrial structure.
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1-1 Current status of Trade and Investment

1-1-1 World trade and investment

During the past 60 years after the World War II, the world economy has strengthened international ties through cross-border transactions of goods and services such as raw materials and industrial products, cross-border business development by multinational corporations, and trading of financial commodities such as stocks.

During the period, international trade has consistently expanded. Although it dropped once dramatically due to the global economic crisis in 2008, against the backdrop of the world economy in 2010, the volume of international trade has increased by 19.1% year on year to hit a record high of 18 trillion dollars (merchandise trade, nominal export basis) again in 2011². With an increase in international commercial transactions and cross-border corporate activities, overseas mergers and acquisitions have been accelerated and multinational companies have actively expanded their business operations overseas, and as a result, global direct investment has rapidly increased in the past 50 years. The annual global direct investment increased from 24 billion dollars in 1962 to 110 billion dollars in 1980, 350 billion dollars in 1990, and 1.4 trillion dollars in 2000, and finally reached a record high of 2 trillion dollars in 2007. After that, the global direct investment declined for two consecutive years due to the world economic and financial crisis, however, it gradually recovered from 2010 and reached 1.5 trillion dollars in 2011, up 16% year on year³.

In the background of the increase in trade and investment, efforts have been made for the multilateral trade liberalization after World War II. Since the General Agreement on Tariffs and Trade (GATT) was signed in 1947, there have been eight rounds of multilateral trade negotiations through which trade and investment rules have been developed and tariffs have been reduced. Later the GATT was positively dissolved into a new organization known as the World Trade Organization (WTO) in 1995. The WTO is an international organization designed to serve as a mechanism to develop international trade rules, perform monitoring to restrain protectionism, and establish a dispute arbitration system and make it work, under which multilateral

² IMF (2013) International Financial Statistics

³ UNCTAD (2012) World Investment Report

negotiations on international trade liberalization have been in progress. With an increase in the number of WTO members (159 countries and regions as of March 2013), the percentage of developing countries also increased, which requires coordination of differences in positions and the sense of values. In the WTO's so-called Development Round which was kicked off in Doha in November 2001, negotiations were held to promote preferential treatment for developing countries; however, the negotiations broke down over a dispute between advanced countries such as the United States demanding further liberalization and developing countries such as China, India, and Brazil who resisted the demand. The Doha Round negotiations have lasted for more than 10 years; however, no notable progress has been made to date.

Although the role of the WTO in trade and investment promotion has been emphasized in each country, the content of multilateral trade negotiations has been diversified and the results of WTO negotiations have become uncertain with an increase in the number of WTO countries. Under such circumstances, efforts toward Economic Partnership Agreements (EPAs) and Free Trade Agreements (FTAs) have been accelerated among major trading partner countries to conclude negotiations between only limited members of countries within a short period of time. In 1990, there were only 16 FTAs in the world, but after 2000, more than 10 FTAs have come into force every year, and the number of EPAs and FTAs worldwide exceeds 200 at present. The number is expected to increase further in the future as there are still many EPAs and FTAs waiting to come into effect. These economic partnerships had been mainly concluded as bilateral FTAs or EPAs between two countries in the same region. In recent years, in addition to these regional FTAs, there is an increasing trend in the number of cross-regional FTAs and FTAs between large trading countries. It should also be noted that new FTAs coming into effect are concentrated in Europe and the Asia-Pacific region. Furthermore, in parallel with the trend of bilateral FTAs, the trend of regional economic integration seems to be taking root. In parallel with the Doha negotiations that have been stalled for years, economic integration within specific regions has been promoted to take a step ahead to gain advantages of multilateral trade. The trend has been accelerated since 1990s, and regional trading blocs such as EU, NAFTA, MERCOSUR, and AFTA have been formed to date. In the Asia Pacific region, the negotiations on Trans-Pacific Partnership (TPP) expansion have progressed, which is especially important for Japan. If the TPP negotiations have been successfully completed, a large free trade area involving major developed countries will be developed.

These economic partnerships and regional economic integrations bring about trade

cost reduction and contribute to the division of labor in the production process in the manufacturing industry and the fragmentation of the international labor division structure. When looking at the composition by goods in the East Asia region's trade for the past 30 years, the share of intermediate goods, such as parts and components, has consistently grown in the inter-regional trade, which shows that required intermediate goods have been transferred among production sites through trade⁴. With an increase in the number of EPAs and FTAs, it is expected that the division of labor will be promoted while taking advantage of a variety of features of each country, which will also promote regional trade in the future.

[Column] WTO Doha Round

The Doha Round⁵, the first multilateral trade negotiation round under the World Trade Organization (WTO) which was established by positively dissolving GATT, came to a halt. The Doha Round is the ninth⁶ round of multilateral trade negotiations since the formation of the GATT and the first negotiation round since the WTO's establishment. This round was named after Doha, the capital city of Qatar, where the Declaration of the Fourth Ministerial Conference was adopted in November 2001⁷.

The Doha Round negotiations are deals with agriculture, Non-Agricultural Market Access (NAMA), services, antidumping, four new fields called Singapore issues started at the Second WTO Ministerial Conference held in Singapore in 1996 (trade facilitation, investment, competition, transparency in government procurement—Trade facilitation is the only issue that could be discussed in the July 2004 WTO Framework Agreement), and issues of environment and developing countries. Thus the negotiations comprehensively cover a wide range of fields to respond to the demands of the new era.

As its official name “Doha Development Agenda” indicates, one of the most important

⁴ White Paper on International Economy and Trade 2012
(http://www.meti.go.jp/report/tshaku2012/2012honbun_p/2012_02-2.pdf)

⁵ A series of bilateral trade negotiations held under the GATT, the predecessor of WTO, were called “Round,” however, giving consideration to some developing countries that strongly protested against the start of conventional style of rounds, a series of comprehensive trade negotiations of the Doha Ministerial Conference (Fourth WTO Ministerial Conference) started in 2001 was named Doha Development Agenda (DDA). As this is customarily called the Doha Round, it is referred to as “Doha Round” for convenience's sake in this text.

⁶ [History of GATT/WTO bilateral trade negotiations] (WTO: established on January 1, 1995)

1st round: Geneva (1948)

2nd round: Annecy (1949)

3rd: Torquay (1951)

4th: Geneva (1956)

5th: Dillon Round (1960–1961)

6th: Kennedy Round (1964–1967)

7th: Tokyo Round (1973–1979)

8th: Uruguay Round (1986–1994)

9th: Doha Development Agenda (Doha Round) (2001–)

⁷ The Ministerial Conference is the supreme decision-making body of the WTO and meets once every two years.

challenges for a successful conclusion to the round is to address the development issues faced by developing countries through trade. As of 2013, the WTO had 159 member countries and four-fifths of them are developing countries. Many developing member countries face various difficulties in complying with the WTO's rules and disciplines that require them to provide equal competitive conditions for domestic and foreign industries.

In response to this, the Hong Kong Ministerial Declaration in December 2005 dedicates a large portion to describe the importance of technical support and capacity building. In particular, Aid for Trade prepared by the World Bank and IMF and the Integrated Framework (IF) to provide assistance for Least Developed Countries (LDCs) to promote Aid for Trade are included as independent items in the Ministerial Declaration respectively to emphasize the importance of their implementation. Referring to the development, the then Prime Minister Junichiro Koizumi announced the "Development Initiative" which articulates Japan's comprehensive support measures for the development of developing countries right before the start of the Ministerial Conference showing to the world a strong commitment to contributing to the Round, which garnered high praise from numerous developing countries.

[Column] Expansion of FTAs and EPAs in the world

As of May 2011, more than 200 bilateral and multilateral FTAs exist around the world, and the number is expected to increase in the future.

While the global FTA network has been growing, Japan has supported multilateral trading system of the GATT/WTO for a long time. However, after the Japan-Singapore Economic Partnership Agreement (JSEPA) came into effect in November 2002 as Japan's first EPA, Japan concluded EPAs one after another with Mexico (April 2005), Malaysia (July 2006), Chile (September 2007), Thailand (November 2007), Indonesia and Brunei (July 2008) and the Philippines (December 2008). Furthermore, the ASEAN-Japan Comprehensive Economic Partnership (AJCEP) entered into force in December 2008 between Japan and the entire ASEAN. Thereafter, Japan signed EPAs with Switzerland (September 2009), Vietnam (October 2009), India (May 2011), and Peru (March 2012). In April 2013, Japan has also started negotiations with the EU on the Japan-EU Economic Partnership Agreement (EPA) as a large-scale FTA.

Many Japanese companies are currently doing business overseas, and FTAs contribute to those companies. For example, the enforcement of AJCEP allows Japanese companies operating in ASEAN to import high value-added parts and components at zero or low tariffs from Japan and export products to other ASEAN countries, and greatly contributes to local production networks of Japanese companies. By January 2010, ASEAN+1 FTAs had been signed between ASEAN countries and Japan, China, South Korea, Australia, New Zealand, and India

respectively. Now a Japanese company doing business in an ASEAN country can take advantage of not only AJCEP but also the FTA signed between the ASEAN country and third countries. For example, if a Japanese company wants to expand its business into India, it can use the FTA signed between India and the ASEAN country where the company has its production base.

In the Asia-Pacific region, FTAs between relatively small countries have been already in effect. In the future, FTAs between large trading partners and multilateral FTA will be the main trend. The idea of Free Trade Area of the Asia-Pacific (FTAAP) is shared among the Asia-Pacific Economic Cooperation (APEC), and as a process of promoting wide-area economic integration, currently, investigation is underway to realize the framework of the Regional Comprehensive Economic Partnership (RCEP)⁸ consisting of 10 ASEAN countries and six countries including Japan, China, South Korea, Australia, New Zealand, and India. In addition, the US and the EU have actively pursued traditional FTAs with neighboring countries as well as cross-regional FTAs with countries in Asia and other regions. In particular, the Trans-Pacific Strategic Economic Partnership, or Trans-Pacific Partnership (TPP), led by the US is a multilateral FTA whose negotiations are underway in the Asia-Pacific region in which Japan has also been involved since July 2013. Negotiations for the TPP have begun in March 2010. The negotiations have drawn attention from the perspective of formulating trade rules in the Asia-Pacific region that the US has aimed for.

1-1-2 Trade and investment in developing countries

The share of developing countries in the total world trade (exports plus imports) has consistently increased since 2000 both in imports and exports. Developing countries accounted for 41.1% of the world export value and 39.0% of the world import value in 2001. While the share of developed country in the total world trade has decreased from 55.1% to 38.2% in the same period, the share of developing countries has substantially increased from 6.5% to 15.9%.

Developing countries have also increased their presence as investment destinations year after year. In particular in the 1990s, direct investment in developing countries greatly increased. Until the early 1990s, the funds that flowed into developing

⁸ RCEP (Regional Comprehensive Economic Partnership (RCEP) is a framework for regional comprehensive economic partnership which bundles together the five FTAs that 10 ASEAN countries hold with the six countries of Japan, China, South Korea, India, Australia, and New Zealand proposed by ASEAN in November 2011 and formally launched in November 2012 at the ASEAN-related summit meeting by the leaders of the 16 participating countries. If the RCEP is realized, it will create an economic mega-region comprising 3.4 billion people (approx. half the world's population), with a GDP of about 20 trillion dollars (approx. one-third of global GDP) and total trade of 10 trillion dollars (approx. 30% of global trade). For further details, please access the following website of the Ministry of Economy, Trade and Industry (METI).
http://www.meti.go.jp/policy/trade_policy/east_asia/activity/rcep.html

countries were mostly in the form of official development assistance (ODA); however, the flow of private funds in the form of direct investment has expanded since the late 1990s. In fact, of the total direct investment in 2011, 49.1% flowed into developed countries and regions, 6.0% flowed into emerging countries, and 44.9% flowed into developing countries, which means almost half of the worldwide direct investment flowed into emerging and developing countries.

1-1-3 Trade and investment in Japan

The total trade of Japan (exports plus imports) reached approximately 134 trillion yen in 2011, increased by 2.1 times since about 30 years ago (1981) and 8.8 times since about 40 years ago (1971). The economy of Japan, a country with scarce resources, has been strong in the processing trade: to import a major portion of fuel resources such as crude oil and raw materials from overseas to process them and to export finished products. The trade amount and items change in response to domestic and international economic trends and industrial structures. Early in the post-war period, Japan's economy was mainly based on export of raw materials, light industry products, and miscellaneous goods. Then, in the 1960s, heavy and chemical industries such as iron and steel and ship-building developed, and heavy industrial products became the main export items. In the 1970s to 80s, exports of processed and assembled products such as electrical/electronic equipment, transportation equipment, and precision equipment increased, and in the 1990s, exports of high-value-added, high-technology products such as automobiles and IT products that require high levels of technology and knowledge increased.

Japan's foreign direct investment reached 115.7 billion dollars in 2011 (9.1262 trillion yen: balance of payments basis, net flows), the second highest figure in history, following the record high (130.8 billion dollars) achieved in 2008. In the 1950s and 1960s, Japanese companies' foreign direct investment was severely restricted due to the balance of payments constraint and remained at 200 million dollars on average. Then, since the early 1970s, restrictions on foreign investment have been relaxed gradually, companies in the manufacturing and other industries have expanded into East Asian countries such as Newly Industrializing Economies (NIES) and ASEAN countries to seek to reduce production costs, and direct investment reached 2.34 billion dollars in 1972 from 860 million dollars in the previous year. During the period from the late 1970s to the early 1980s, investment in electrical machinery, transport equipment, etc. increased with an emphasis on production in the Western developed countries against the backdrop of Japan's trade

friction with those countries. Since the Plaza Accord in 1985, the yen appreciation contributed to lower production costs overseas and more companies moved their production bases to the East Asia region seeking for cheap labor. As a result, overseas investment increased from 12.2 billion dollars in 1985 to 57 billion dollars in 1990. Since the 1990s, with the strengthening of the reform and openness of China, the entry of Japanese companies into China has become more active. After that, although overseas investment temporarily declined due to the Asian Currency Crisis of 1997 and other issues, Japanese companies' overseas investment has continue to expand in the 2000s as well.

In recent years, the Japanese economy has been placed in harsh environment due to the impact of the Great East Japan Earthquake and problems of the so-called “six hardships⁹.” In particular, Japan has posted a record high trade deficit for 2012. In such a situation where it is considered important to expand trade and support overseas development of companies by promoting economic partnership agreements with other countries, including developing countries, Japan has been aggressively promoting bilateral and regional economic partnerships. The Japanese government aims to promote regional economic partnerships in the ASEAN region and conclude Economic Partnership Agreements (EPAs) with large market countries, such as the US and the EU, investment destination countries. The government is participating in negotiations of the Trans-Pacific Partnership (TPP) Agreement. Moreover, in recent years, there has been a growing interest in trade and investment with African countries where mineral resources are abundant, which are also expected to be new markets.

In considering Japan's growth strategy, the importance of capturing overseas markets, including the demand for infrastructure in developing regions, has been increasingly recognized. Accordingly, capturing markets in developing regions is positioned as one of the priority areas in the government strategies, such as the “Japan Revitalization Strategy” (Cabinet decision in June 2013) and the “Infrastructure System Export Strategy” (Cabinet decision in May 2013).

Thus, the relationships between Japan's and developing countries' economies have become deeper. In particular, as Japan has a high degree of interdependence with Asian countries, promotion of trade and investment in Asian countries has mutually beneficial aspects, such as supporting economic growth on both sides. Furthermore,

⁹ Six hardships of the harsh business environment surrounding Japanese companies: the appreciation of the yen, high corporate tax rates, lack of progress in concluding free trade agreements, unfavorable labor regulations, strict environmental regulations, and power supply constraints.

building new relationships with African and other countries outside of Asia is expected to lead to new developments for the future growth of Japan's economy. It is expected to provide continuous support in the field of trade and investment promotion that contributes to both Japan and developing countries.

[Column] Japan's trade policy

For Japan, which has developed as a trading nation, trade policy has been one of the most important challenges among foreign economic relations. After World War II, Japan gradually started to return to international economic community, and promoted the liberalization of trade and capital markets (inward direct investment) after joining GATT in 1955. From the 1970s, when each country showed a growing tendency of protectionism in the midst of the world recession, Japan played active roles in resisting protectionism by strengthening disciplines through multilateral negotiations and developing new rules for services and intellectual property protection. Japan's trade policy was also characterized by the fact that it was closely related to its industrial policy that encouraged voluntary export restraints in textiles, steel, cars, and semiconductors to cope with intensified trade friction with Western countries in the face of Japan's persistent current account surplus from around 1970. Many developing countries desire Japan to share its experiences with the trade policy and industrial policy that led to Japan's rapid economic growth in the post-war period. The environment and systems of global trade have greatly changed from the post-war period when Japan experienced incredible economic growth to the present day. Therefore, some trade and investment policies and specific measures adopted by Japan during the period are not in line with the current situation or not compliant with the WTO rules; however, experiences of Japan that has achieved economic growth as a trading nation by overcoming the disadvantage of scarce resources are informative for developing countries, in many cases, in promoting their trade and accepting investments. As for how Japan recognized global economic trends and implemented trade policies, refer to Section 3, Chapter 4 "Changes in Trade Issues and Flow of Trade Policy" in the White Paper on International Economy and Trade 1998¹⁰.

1-2 Definition of trade and investment

As mentioned above, the importance of international trade and investment in goods and services has been increasing over the past decades in the global economy, especially in economic development in developing countries. This section confirms the definition and significance of trade and investment in developing countries.

¹⁰ <http://warp.ndl.go.jp/info:ndljp/pid/286890/www.meti.go.jp/hakusho/tsusyo/soron/H10/02-03-04.html>

1-2-1 Trade

“Trade” is generally defined as cross-border commercial transactions of goods and services. In the past, trade transactions generally meant trade of goods. However, in recent years, with the expansion of the service industry (the tertiary industry), the weight and importance of trade of services, such as transportation, traveling, telecommunications, finance and insurance, patent and other royalties, have been increasing.

To promote trade, it is important that companies and industries as major players in trade gain and maintain competitiveness in international markets and increase trade and commercial transactions. International trade, however, does not always go smoothly. It is sometimes the case that efficient trade is hindered by tariff barriers where each country levies high tariffs on exports and imports to protect their own industries and consumers as well as non-tariff barriers where each country imposes quantitative restrictions on imports and exports, and excessively strict quality inspections, safety standards and sanitary standards on imports. It is therefore necessary to reduce these barriers, while taking into account impacts on their own industries.

1-2-2 Investment

“Investment (overseas investment)” is defined as international movements of capital conducted for the purpose of earning profits, which can be broadly classified into the following two types. One is “foreign direct investment (FDI)” conducted for controlling or participating in management of invested companies and the other is “foreign portfolio investment (FPI) or investment in securities” conducted for the collection of invested funds such as interests, dividends, and capital gains in the credit and stock markets. In these Thematic Guidelines, the former is mainly dealt with. FDI can be broadly classified into the following two types: 1) greenfield investment where a new corporation is established in an investment destination country and 2) acquisition of existing companies in an investment destination country and Mergers and Acquisitions (M&As) by entering into partnerships through acquisition and exchange of shares. In recent years, M&As have been increasing because of their advantages such as quick market penetration by using partnerships with existing invested companies, rather than starting a business from scratch.

FDI has more meaning than simple capital transfer or job creation by building local factories. FDI has a social impact, which promotes transfer of technologies, including production technologies, equipment and machinery, and various commercial practices

such as management skills and marketing methods. FDI is also expected to create new business opportunities by using capital and new technologies that do not exist in the investment destination country, which contribute to industrial diversification and sophistication. On the other hand, positive effects cannot always be expected through FDI. Depending on the investing company, only a small number of local staff could be employed or excessive urbanization could be promoted. As domestic industries will be exposed to competition, uncompetitive companies may go bankrupt, and unemployment may arise because of FDI. Governments wanting to use FDI for development need to take into account these points and provide appropriate support and care for domestic industries.

Meanwhile, FPI has been rapidly increasing in recent years along with the progress of liberalization of domestic financial markets, high economic growth in developing countries, and the difference in yields between developing countries and developed countries with continued low interest rates. However, it is necessary to recognize that the dependence on FPI is risky because funds invested through FPI can be withdrawn from investment destination countries in a short period of time for reasons such as an increase in interest rates in developed countries or a decrease in risk appetite of investors. To promote FPI, development of financial markets is also necessary, which is not covered by these Thematic Guidelines. As mentioned above, if not otherwise specified, the term “investment” means FDI in this document.

1-2-3 Significance of trade and investment promotion in developing countries

In the midst of rapid globalization of economy in recent years, it is difficult for many developing countries to accomplish economic growth without joining the current of globalization. It is therefore important to avoid disadvantages of globalization while enjoying its benefits.

By expanding trade and investment, developing countries will not only receive goods, services, and capital but also have to accept developed countries’ corporate management, production technologies, consumption patterns, frameworks of systems and organizations as well as social systems such as health and education, general values and life styles. It will also bring about effects such as job creation, strengthening of international competitiveness and deepening of economic relations with other countries and regions. On the other hand, liberalization of trade and investment by rapid globalization of the economy can bring about disadvantages, such as weakening of uncompetitive, conventional industries, a partial reduction in employment opportunities due to a change in industrial structures, widening regional and domestic disparities, etc. In particular, inflows and outflows of investment funds

in a short period could have a negative impact on the economy, causing turmoil in the market.

Therefore, in order to achieve strong and stable economic growth, it is necessary for developing countries to avoid losses from globalization of the world economy, while enjoying its benefits. In order to appropriately integrate into the liberal trade regime, the governments of developing countries are, expected to set and implement comprehensive policies that include the following elements. They need to analyze their domestic conditions and the external economic environment surrounding their countries, and then set appropriate schedules for economic liberalization with consideration of the appropriate order and speed of trade and investment liberalization. They also need to establish domestic legal and policy implementation systems for the rules required by the liberal trade regime and to implement national policies that minimize short-term negative impacts on the domestic economy caused by globalization. However, developing countries generally lack human and material resources, and many governments of developing countries do not have enough capacity to work on these challenges. Therefore, the necessity of assistance in this field is being recognized.

1-3 Trends in international assistance

1-3-1 International trends in the field of trade and investment promotion

The United Nations adopted the Millennium Development Goals (MDGs)¹¹, aiming to halve the 1.5 billion people living in poverty worldwide by 2015 based on the United Nations Millennium Declaration of the year 2000. As one of the Goals, the United Nations set to “Develop a Global Partnership for Development” and committed to “address the special needs of least developed countries” in the field of trade. To achieve the commitment, international efforts are being made to allow duty-free imports from least developed countries. To put the MDGs into practice, development funds were deemed necessary. Therefore, in the “Monterrey Consensus” adopted at the United Nations International Conference on Financing for Development in Monterrey (March 2002) co-hosted by the United Nations, IMF, World Bank, and WTO, the importance of trade and investment as a means to put the MDGs into practice was recognized and the principle of providing funds by giving priority to the developing countries that meet certain conditions, such as commitment to democracy, was approved. Thus, the importance of assistance in the field of trade

¹¹ The Millennium Development Goals summarize the United Nations Millennium Declaration, adopted in New York in September 2000 and the goals agreed on at major international conferences and world summits during the 1990s into one framework.

and investment promotion is widely recognized internationally.

Furthermore, in order to promote trade and investment in developing countries, WTO, OECD, and other international agencies developed international frameworks, such as the Aid for Trade (AfT) initiative and the Policy Framework for Investment (PFI). Donors have provided assistance in the field of trade and investment promotion in line with the directions of these frameworks.

[Column] Aid for Trade (AfT)

In 2005, the framework of Aid for Trade (AfT) initiative was agreed in the declaration of the WTO's Hong Kong Ministerial Conference. Aid for Trade (AfT) is an initiative aiming to support sustainable development of developing countries by enhancing their trade capabilities so that they could properly enjoy benefits of free trade.

AfT is based on the idea that building industrial bases and producing competitive products for export in developing countries that have not fully benefited from the multilateral trade system will enable these countries to realize trade benefits, and consequently, realize economic growth. Major examples of AfT include development of infrastructure that reduces the cost of supply, development of trade-related systems and regulations, and capacity development of concerned personnel. AfT provides assistance in the following six fields: 1) trade policy and regulations; 2) trade development; 3) trade-related infrastructure; 4) building productive capacity; 5) trade-related adjustment; and 6) other trade-related needs.

JICA is actively engaged in AfT. Approximately 76% of all ODA Loan projects and 64% of Technical Cooperation and Grant Aid were devoted to AfT in 2010. The breakdown by region is as follows: The Asia region accounted for 45% of AfT-related ODA Loans, followed by Africa, accounting for 14%. The Asian region accounted for approximately 64% of Technical Cooperation and Grant Aid, followed by Africa, accounting for 24%. JICA aims to improve the efficiency of its support programs. For example, JICA aims to improve support efficiency through synergy between ODA Loans for developing economic infrastructure and Technical Cooperation and Grant Aid for enhancing the production capacity of agriculture and manufacturing industries, through which trade partner countries can expand their trade and achieve economic growth while reducing income disparities.

1-3-2 Assistance trends of other donors

International development financial institutions, such as the World Bank, and United Nations agencies, such as UNCTAD and UNIDO, WTO, and other bilateral support agencies actively provide assistance in the field of trade and investment promotion. It is therefore necessary for JICA to promote harmonization and

partnership with other donors to provide effective assistance. The following is a brief explanation of each donor's efforts.

(1) World Bank Group

- International Bank for Reconstruction and Development (IBRD)/International Development Association (IDA)

IBRD and IDA of the World Bank Group focus on private sector development based on the idea that economic liberalization contributes to economic growth and the reduction of poverty. In the trade field, they conduct capacity building, etc. of related institutions by putting improvement of access to markets and enhancement of competitiveness at the center of their development strategies. In recent years in particular, they focus on the support related to trade policies, trade facilitation and customs, and standardization. In the investment field, they have functions to provide advisory services mainly on investment environment development and actual investment activities for local companies to create a pump-priming effect to encourage foreign investment.

- International Financial Corporation (IFC)

IFC is an institution that supports private sector development in developing countries through investment, lending, and advisory services. IFC implemented investment and lending commitments of a total of 15,460 million dollars¹² in 103 countries in FY2012. IFC conducts business environment research in each country. In particular, Doing Business, a report released every year since 2003 by the World Bank and IFC, compares all the countries in the world, including both developed countries and developing countries, using a common index and ranks them to objectively indicate the ease of doing business in each country from the viewpoint of the environment mainly for local small and medium-sized enterprises in each country, which is frequently used to objectively judge the business environment of each country.

- Multilateral Investment Guarantee Agency (MIGA)

MIGA is an institution whose mission is to provide guarantees (insurance against political risks) to investors and financial institutions and promote private investment in emerging markets. It covers financial risks of investors and provides

¹² Source: IFC Annual Report 2012. The breakdown of 15,460 million dollars is 6,670 million dollars for loans, 6,400 million dollars for guarantees, 2,280 million dollars for investments, and 110 million dollars for risk management products.

intermediation services between investors and the governments of developing countries to reduce the possibility of occurrence of such risks. Political risks covered by the guarantee of MIGA include: 1) currency inconvertibility and transfer restriction, 2) expropriation, 3) war, terrorism, and civil disturbance, 4) breach of contract, and 5) non-honoring of financial obligations.

(2) United Nations Group

- United Nations Conference on Trade and Development (UNCTAD)

UNCTAD was established in 1964 as a conference to discuss trade and development issues. UNCTAD mainly provides space for dialogue among governments, and support for research, analysis, data collection, and others. The support encompasses a variety of fields, including negotiations, commercial diplomacy, trade analysis and information system, competition policy and consumer protection, FDI trends and issues, investment policies, and strengthening of the debt management capacity. UNCTAD has published its annual World Investment Report since 1991 and analyzed the global trend of FDI at regional and state levels and investment policies in developing countries. It is recommended to use this report to know the world trend of FDI.

- United Nations Industrial Development Organization (UNIDO)

UNIDO is a United Nations agency that provides support for economic development and the development of industrial infrastructure. One of the priority fields of UNIDO is the strengthening of trade capacity. UNIDO supports developing countries to enhance their competitiveness to join international trade. Specifically, UNIDO supports technical cooperation for improvement of business and production efficiency for companies and acquisition of international certification such as ISO. UNIDO also supports investments promotion by dispatching investment missions to developing countries and providing support for holding of seminars.

(3) World Trade Organization (WTO)

WTO is an organization whose mission is to establish rules to facilitate free trade. Strictly speaking, WTO is not an aid agency, but it provides support on human resources development for capacity development to promote free trade with other international agencies and donors. Based on the recognition at the Doha Round in 2001 that support and cooperation from developed countries are necessary for developing countries to participate in the liberal trade regime and enjoy profits, WTO has conducted training for government officials in developing countries to improve

understanding of the WTO's rules and systems, strengthen the trade regime, and improve the capacity for efficient trade negotiations. In addition, WTO takes the initiative in "Aid for Trade (AfT)" and promotes support and cooperation to developing countries from donor countries in the trade field while advancing WTO negotiations.

(4) World Customs Organization (WCO)

WCO is an international agency established in 1952 to contribute to the development of international trade by harmonizing and integrating the tariff system and promoting international cooperation of customs administration. The WCO membership covers 179 countries and customs territories.

WCO has worked on the simplification and harmonization of customs procedures of each country and developed standards to ensure the safety and facilitation of international trade. WCO is also conducting capacity building of developing countries' customs for regulating goods infringing intellectual property rights and facilitating trade.

(5) Bilateral support agencies

Bilateral support agencies are also actively cooperating with international agencies in this field. Each of the agencies actively provides cooperation in developing policies, systems, and human resources in this field, and at the same time, strives to strengthen economic relations with their own countries. The following are representative examples.

• United States Agency for International Development (USAID)

The cooperation of USAID in the field of trade and investment is called trade capacity building, which is actively conducted in approximately 110 countries. The support is classified into the following three fields: 1) participation in trade negotiations: support for the revision of domestic laws and systems to become a member of WTO and technical cooperation to strengthen the analytical capacity for trade negotiations, 2) implementation of trade agreements: support for the preparation of the customs valuation rules, import licenses, certificates of origin, and others. as the requirements to become a member of WTO and technical cooperation to satisfy the requirements of preferred trade programs of the US for developing countries such as the African Growth and Opportunity Act (AGOA), and 3) responsiveness to trade opportunities: services for local industries to satisfy the needs of international markets (e.g. enhancement of competitiveness of the trade-related services sector of

transportation and telecommunications, strengthening of functions of competition law, antimonopoly law, and other laws, trade finance for local companies, strengthening of insurance services).

- Department for International Development (DFID)

DFID provides support, mainly in Africa, to strengthen the ability of customs to reduce trade-related costs and technical cooperation to integrate procedures within the region. DFID also promotes grant aid cooperation for retailers who import and sell the food items produced in Africa in the UK and facilitate fair trade in partnership with non-profit organizations, such as Fairtrade International, to improve working environment in the export industry. Thus DFID is characterized by its variety of unique services.

- Federal Ministry for Economic Cooperation and Development of Germany/German Agency for International Cooperation (BMZ/GIZ)

In the trade field, BMZ/GIZ provides support for implementing agencies, such as the Ministry for Trade and the Chamber of Commerce that play a key role in trade promotion, mainly in the following areas: analysis of export strategies and market research, legal advice on trade agreements, and technical cooperation such as training for customs bureaus, patent offices, and others. In the investment field, BMZ/GIZ provides support for major agencies which are the key of investment environment development mainly on technical cooperation, including training, research, and analysis.

- Danish International Development Agency (DANIDA)

DANIDA provides support for the private sector including the trade and investment field as one of its strategic priorities and DANIDA is especially characterized that it encourages active participation of Danish companies. In the business partnership effort, DANIDA provides funds to Danish companies that are interested in business development in developing countries, aiming to strengthen competitiveness of local industries and improve the working and living environment.

1-4 Support trends of Japan

Japan's ODA is implemented based on the "Medium-Term Policy on Official Development Assistance" (2005) and other policies under the "Japan's Official

Development Assistance Charter (ODA Charter)”¹³ (2003). In Japan’s ODA, trade and investment promotion support is emphasized as contributing to sustainable growth in developing countries.

1-4-1 Japan’s Official Development Assistance Charter (ODA Charter)

In “3. Priority Issues, (2) Sustainable Growth” of the “Japan’s Official Development Assistance Charter (ODA Charter),” it is stated that “In order to invigorate developing countries’ trade and investment, as well as people-to-people exchanges, and to support sustainable growth, Japan will place importance on providing assistance for the development of the socioeconomic infrastructure—a key factor for economic activities—and also for policy-making, the development of institutions, and human resource development. This will include (i) cooperation in the field of trade and investment including the appropriate protection of intellectual property rights and standards and certification systems, (ii) cooperation in the field of information and communications technology (ICT), (iii) the acceptance of exchange students, and (iv) cooperation for research.”

In addition, it states that “Japan will endeavor to ensure that its ODA, and its trade and investment, which exert a substantial influence on the development of partner countries, are carried out in close coordination, so that they have the overall effect of promoting growth in developing countries. To that end, Japan will make efforts to enhance coordination between Japan’s ODA and other official flows such as trade insurance and import and export finance. At the same time, private-sector economic cooperation will be promoted, making full use of private sector vitality and funds.” In Japan’s development assistance, it shows the recognition that the cooperation in the field of trade and investment is important for the sustainable development of developing countries.

1-4-2 Japan’s Medium-Term Policy on Official Development Assistance

In the “Japan’s Medium-Term Policy on Official Development Assistance” as well, “sustainable growth” is upheld as a priority issue. The policy describes that it is important to promote private sector activities including trade and investment and support developing countries to participate in the multilateral free trade system through ODA. Behind this background is the current situation where Japan enjoys the benefits of international trade and is heavily dependent on other countries for resources, energy

¹³ The ODA Charter states the basic philosophy, important matters, etc. on Official Development Assistance (ODA), which was approved by a cabinet meeting in 1992 and revised in 2003.

and food. Japan will support developing countries through ODA, ensure Japan's security and prosperity, thus promoting the interests of the Japanese people.

Specifically, Japan will assist in the development of economic and social infrastructure that contributes to improvement of trade and investment climates, such as roads, ports and other transport infrastructure, energy related infrastructure such as power generation and transmission facilities and oil and natural gas facilities, telecommunications and IT infrastructure, and infrastructure for improving the living environment, while paying particular attention to the institutional and policy environment and debt management capacity of developing countries. At the same time, Japan will provide the soft component assistance such as macroeconomic stabilization, development of policy and institutions on trade and investment, and development of policy and institutions for information and communication society, development of wide-area infrastructures across countries and regions for strengthening economic partnership, development of systems related to trade and investment, and human resources development.

1-4-3 Linkage with foreign markets that contributes to Japan's economic growth

The capturing of global demand including that in the Asia and Pacific region is crucial for Japan to maintain and promote its economic growth. In the East Asian region, efforts for economic integration have been made centering on ASEAN, and to promote further economic integration in East Asia, as of 2013, the examination started toward the realization of the "Regional Comprehensive Economic Partnership (RCEP)" by the 10 ASEAN countries and six countries of Japan, China, South Korea, Australia, New Zealand, and India. To incorporate the vitality of rapidly-growing developing countries in the East Asia and ASEAN region into Japan's growth, it is recognized as important government policies that Japan takes the initiative in promoting high-level economic partnership in this region and plays a leading role in establishing new trade and investment rules, and at the same time, in order to promote the overseas development of Japanese companies, Japan needs to develop growth bases with infrastructural and institutional development, encourage local governments to improve the business environment, and enhance business information provision.

1-4-4 Partnership with concerned institutions in Japan

Among Japanese government-related agencies, the Japan External Trade Organization (JETRO), the Overseas Human Resources and Industry Development Association (HIDA), the Japan Bank for International Cooperation (JBIC), the Nippon Export and Investment Insurance (NEXI), etc. are agencies that have close relationships

with activities in the field of trade and investment promotion conducted by JICA.

In order to support the creation and expansion of overseas business opportunities for Japanese companies, JETRO conducts operations such as dispatching of experts to Japanese companies and their related companies operating in developing countries, holding of exhibitions, and collection and transmission of information. JETRO also conducts various activities from the viewpoint of improving business environment in developing countries (see Column). In addition, HIDA implements training programs by inviting engineers and managers in developing countries to Japan and overseas training programs by dispatching lecturers to overseas sites, and dispatches experts who provide guidance at local companies to improve quality and productivity from the perspective of implementing direct support to private companies to facilitate local business development and develop local industrial human resources of Japanese affiliated-companies in developing countries. On the other hand, JBIC and NEXI support the overseas business development of Japanese companies from the financial side, including loans and acceptance of insurances.

As cooperation for trade and investment promotion in developing countries, it is also effective to use functions and know-how held by Japanese government-related agencies in Japan for the formulation and implementation of each country's measures. In addition, in order to advance cooperation in the field of trade and investment promotion with the awareness of mutually beneficial aspects with the Japanese economy, it has become more and more necessary for the above government-related agencies, private companies, universities, concerned institutions such as NGOs to cooperate and work as an "all-Japan" team. Therefore, Japanese embassies, government-affiliated institutions such as JICA, JBIC, JETRO and private institutions such as local commerce and industry associations carry out their activities in many developing countries, while closely cooperating with one another. For example, in order to back up Japanese companies' development of overseas operations, the "Japan-Vietnam Joint Initiative" was formed in Vietnam in 2003 by the agreement of the leaders of Japan and Vietnam, and the public and private sectors of the two countries have been working together on the improvement of Vietnam's investment environment. JICA has been participating in these public-private sector joint initiatives together with the other Japanese concerned institutions, aiming to provide effective and efficient cooperation as an all-Japan team.

[Column] Independent Administrative Institution, Japan External Trade Organization (JETRO)

JETRO is an organization established for Japan's trade promotion. In order to support the development of export sales channels and the overseas development of Japanese companies, JETRO provides consultancy on trade and investment business, supports participation in exhibitions, and offers overseas business information collected through its overseas offices established in approximately 70 countries. In addition, from the viewpoint of expanding economic activities of Japan in developing countries, mainly in Asian countries where many Japanese companies are operating, JETRO provides recommendations for developing countries' governments, and implements activities to strengthen industrial bases and improve export capacity, while working closely with the Japanese Chambers of Commerce both local and abroad. For example, in Asia, Mexico, and South Africa where many Japanese automobile companies are operating, with an increase in the number of Japanese companies abroad, the importance of improving the local procurement rate of parts and components has increased from the viewpoint of cost reduction and delivery time shortening. Therefore, JETRO is providing guidance on production management by dispatching experts to support activities of Japanese affiliated-companies, and promoting support in close partnership with JICA's operations in Mexico and Thailand, in particular.

In addition, in order to support development of the export industry in developing countries, JETRO dispatches experts who are well-versed in the needs of Japanese consumers and expertise on specific products to provide advice on improvement of the products that have good export potential to Japan and purchase them. At the same time, JETRO holds exhibitions and business negotiation meetings in Japan using collected samples, and invites important persons such as government officials to Japan. In recent years, in order to promote exports to Japan from least developed countries (LDCs) mainly in Africa, JETRO has started the "Pilot Demonstration Project for Development and Import Schemes." JETRO calls for development and import proposals of products made in developing countries from Japanese companies and organizations considering import business from LDCs, conducts a field survey, and provides product development guidance for the accepted business proposals.

As for the relationship with JICA, in addition to the above cooperation in the automobile industry in Asia and Mexico, JETRO dispatches experts to projects implemented by JICA and accept trainees. Although there is a difference in that JICA implements cooperation for government agencies in developing countries as its main counterparts, while JETRO implements cooperation mainly for Japanese companies and their related companies operating in developing countries, both JICA and JETRO are cooperating to provide support for trade and investment promotion in developing countries while using their experiences as agencies

promoting aid, trade and investment.

Chapter 2 Challenges and Support Approaches to Promotion of Trade and Investment

2-1 Support areas in the field of trade and investment promotion

For the promotion of trade and investment in developing countries, there are challenges to be proactively addressed by governments and those to be proactively addressed by the private sector. As JICA supports mainly for public institutions such as government agencies (hereinafter “Governments”), these Thematic Guidelines cover mainly challenges to be proactively addressed by Governments. However, even with regard to the challenges to be proactively addressed by Governments, key players and beneficiaries for the promotion of trade and investment are private companies. Therefore, it becomes possible to support efficiently by also including a wide range of actors such as the private sector and specialists from academic circles as the target of direct and indirect support as needed, in addition to direct counterparts including government employees.

For developing countries to enjoy benefits from free trade and accepting FDI, it is a prerequisite to improvement a business environment where private companies, as key players for trade and investment activities, can conduct business fairly and freely. Only after ensuring such a business environment, support that directly leads to the promotion of trade and investment can be provided effectively. The business environment can be defined as a wide-ranging complex of policy, legal, institutional, and regulatory conditions that govern business activities (DCED 2008). Generally, to improve the business environment, wide-ranging supports are required, including the development of a basic legal system, formulation and implementation of policies, development of infrastructure, development of human resources for the industry sector, improvement of financial access, and design and implementation of an appropriate tax system. It is also necessary to be recognized that political stability of the country, governance issues such as corruption and political vested interests, cross-cutting challenges related to education and health systems that serve as the basis of economic development, and economic policies also have a very large impact on business activities of private companies.

Improvement of “Business environment” and, Promotion of “Trade and Investment” are closely related to each other. As it is difficult for developing countries to make endogenous technological progress, technology diffusion and transfer triggered by investments from developed countries is an important element of their economic development process. Furthermore, if investments of export companies targeting

international markets and neighboring countries' markets can be attracted successfully, an increase in investments leads to expansion of trade. To attract such companies, not only investment attraction policies, but also growing open markets in the surrounding areas, need to exist. In an effort to expand markets, regional integration has made progress in each region.

The initiatives for business environment improvement should be considered to be important from the perspective of trade and investment promotion and have proven track records in JICA's projects. In particular, the focus is placed on the "improvement of related policies and systems" which aims for the formulation of industry promotion policies and master plans (M/Ps) and the improvement of industrial base systems and "infrastructure development" which aims for the development of roads, ports, electricity, telecommunications and industrial parks, that facilitate smooth corporate activities including commercial transactions. In order for a country to promote trade and investment, it is necessary to formulate industrial promotion policies and M/Ps that serve as guidelines and develop intellectual property systems and standards and certification systems for facilitating smooth corporate activities such as trade and investment. Also, electricity, sewage, and land required for business operations are not readily available in many developing countries, therefore, in order for developing countries to improve their business environment, it is very important to develop economic infrastructure not only for attracting foreign companies but also for their own economic activities.

There are two major initiatives for trade promotion: "reduction of trade obstacles" and "strengthening of international competitiveness."

To achieve "reduction of trade obstacles," trade liberalization and trade facilitation are required. The term "trade liberalization" is used for a variety of meanings as an opposing concept to protectionism. Generally, it refers to the reduction of high tariffs that serve as a trade barrier and removal of regulations imposed by each country mainly through an approach to policies and measures. On the other hand, "trade facilitation" refers to the simplification of trade and customs procedures and the development of cross-border logistics infrastructure. In the actual trading business practices, procedures related to import and export are non-transparent and complicated and it takes a very long time from the import application to the receipt of the cargo. Thus, tariffs and non-tariff regulations that can be limiting factors for smooth import and export and the obstruction of the flow of goods and services often serve as trade barriers. Trade

facilitation is conducted by simplifying these procedures, developing cross-border transportation networks, and developing necessary human resources aiming to improve predictability for companies to conduct cross-border commercial transactions, reduce trade-related costs, and expedite logistics.

Initiatives to achieve “strengthening of international competitiveness,” are implemented as part of the promotion of domestic industries, which are recognized as “improvement of access to foreign markets” including the acquisition of foreign market information by trade promotion agencies and improvement of the knowledge and capacity for trade practices and “strengthening of companies’ capacities for management and production” including the strengthening of industry-wide and individual companies’ management capacity and the improvement of quality and productivity. All of these efforts are intended to boost up domestic industries where the private sector is a key player. Because support measures for domestic industries that could distort free competition may violate international rules set by the WTO and other international organizations, support in this field needs to be carefully planned.

As challenges to be proactively addressed by Governments to promote investments, there are “improvement of investment policies/systems” and “strengthening of investment promotion functions.” From the point of view of foreign investors, clarifying investment procedures by developing investment policies and systems and providing preferential treatment for investors is a very important step that attracts foreign investors to the country. Simplification of procedures by investment promotion agencies will also facilitate investments. It is also an important activity to raise investors’ awareness of the country by disseminating information on the country to the outside world to convey its appeal to potential investors.

2-2 Challenges and support approaches to promotion of trade and investment

In this guideline, the challenges to promotion of trade and investment faced by developing countries are classified into “Development Strategic Goal 1: Improvement of Business Environment,” “Development Strategic Goal 2: Improvement of systems for trade promotion,” and “Development Strategic Goal 3: Improvement of systems for investment promotion,” and the approaches taken to address those challenges are classified into mid-term objectives as follows. Under each mid-term objective, the means to achieve each mid-term objective are set as sub-targets.

Development Strategic Goals		Mid-term Objectives	Sub-targets
1	Improvement of business environment	1-1 Improvement of related policies and systems	Formulation of industry promotion policies and master plans (M/Ps)
			Improvement of industrial base systems
		1-2 Infrastructure development	Improvement of economic infrastructure
			Development of Special Economic Zones and industrial parks
2	Improvement of systems for trade promotion	2-1 Reduction of trade obstacles	Reduction of tariffs and non-tariff barriers
			Facilitation of trade procedures
		2-2 Strengthening of international competitiveness	Improvement of access to foreign markets
			Strengthening of companies' capacities for management and production
3	Improvement of systems for investment promotion	3-1 Improvement of investment policies and systems	Formulation and implementation of investment promotion policies
			Simplification of investment procedures
		3-2 Strengthening of investment promotion functions	

(1) Development Strategic Goal 1: Improvement of business environment

To promote trade and investment in developing countries, “business environment development” is considered to be as the first pillar of Development Strategic Goal, where private companies, key players for trade and investment activities, can conduct their business fairly and freely. The business environment can be defined as a wide-ranging complex of policy, legal, institutional, and regulatory conditions that govern business activities (DCED 2008). Among them, these Thematic Guidelines mainly focus on the “improvement of related policies and systems” and “infrastructure development” that are especially important from the perspective of trade and investment promotion and have proven track records in JICA’s projects.

(2) Development Strategic Goal 2: Improvement of systems for trade promotion

Under the second pillar of Development Strategic Goal “improvement of systems for trade promotion,” it is supported to facilitate trade by developing trade policies and systems required for developing countries to enjoy benefits of the free trade system, strengthening government agencies that formulate and implement the trade policies and systems, and streamlining trade procedures from a multilateral viewpoint. It is also

supported for private companies to enhance their international competitiveness, which is important to access to international markets and the global economy.

(3) Development Strategic Goal 3: Improvement of systems for investment promotion

The third pillar is the “improvement of systems for investment promotion.” As mentioned above, “trade promotion” in this guideline mainly means FDI intended for job creation, introduction of know-how and technologies, trade promotion and economic development through introducing foreign capital and technologies. Development Strategic Goal 3 aims to develop policies and systems and enhance Governments’ investment promotion capabilities required to facilitate FDI mentioned above.

2-2-1 Development Strategic Goal 1: Improvement of business environment

Mid-term Objective 1-1 Improvement of related policies and systems

Sub-target 1-1-1 Formulation of industry promotion policies and master plans (M/Ps)

Sub-target 1-1-2 Improvement of industrial base systems

Mid-term Objective 1-2 Infrastructure development

Sub-target 1-2-1 Improvement of economic infrastructure

Sub-target 1-2-2 Development of Special Economic Zones and industrial parks

In order to improve a business environment where private companies can conduct business fairly and freely, support for the “Improvement of related policies/systems” and “infrastructure development” will be conducted.

With regard to the “improvement of related policies/systems” for improving a business environment that promotes trade and investment, it is necessary to present the country’s direction of industrial promotion first of all, and then support the formulation of industry promotion policies based on the clear direction. Also, to promote trade and investment, the improvement of industrial promotion systems will be supported that ensure smooth, sound cross-border trading and distribution of goods and services, such as intellectual property rights protection systems and standards and conformity assessment systems. To promote trade and investment, in addition to trading and distribution of goods and services, it is also important to smoothly secure human resources and funds necessary for the active operation of businesses. Accordingly, the training of domestic human resources and development of financial systems becomes an

important factor. For details of these matters, refer to other guidelines and papers.

With regard to the “infrastructure development,” support will be conducted for the following two purposes: (i) improvement of economic infrastructure that is indispensable for economic activities of a country, including electricity, telecommunications, water, and roads and (ii) improvement of Special Economic Zones and industrial parks that focuses on the improvement of infrastructure and related policies for industrial location promotion.

Mid-term Objective 1-1 Improvement of related policies and systems

Sub-target 1-1-1 Formulation of industry promotion policies and master plans (M/Ps)

Sub-target 1-1-2 Improvement of industrial base systems

To promote trade and investment in a developing country, it is important to analyze the country’s economic and industrial status and challenges facing the country and formulate the country’s industrial promotion policies based on the analysis results, and then consider trade and investment promotion measures based on the formulated policies. To promote cross-border production network and commercial transactions including trade and investment, it is also important to develop and operate systems that ensure smooth cross-border transactions of goods and services. To build systems to properly register and protect technologies, ideas, designs, trademarks, and others. created by companies and eliminate imitations (intellectual property systems)

and systems to correctly measure items, define standards for transactions, and appropriately certify the conformity (standards and conformity assessment systems) are important to facilitate cross-border corporate transactions. For foreign companies considering investment in the country, proper development and operation of these kinds of system infrastructure is an important factor in their decision making for investment.

(1) Sub-target 1-1-1 Formulation of industry promotion policies and master plans (M/Ps)

In order to effectively promote trade and investment in developing countries, not only the direct efforts to promote trade and investment described in Development Strategic Goals 2 and 3 but also the industrial promotion policies that back up the promotion of trade and investment are necessary. Industrial promotion policies mean overall policies for industrial promotion of all industry sectors, including, as the case may be, selective policies designed to target specific sectors. For example, the policies

taken for the promotion of steel, shipbuilding, and machinery industries during the post-war period in Japan and the policy taken for the promotion of Korean heavy industry in the 1970s are said to be typical sector-specific industrial promotion policies. Measures for industrial development include management and technical assistance, research and development support, business startup support, low interest rates, policy-based finance, tax incentives, subsidies, industrial parks, entry and import restrictions, protective tariffs, and foreign technology introduction¹⁴. In addition, as seen in the increase in the share of intermediate goods in East Asia's inter-regional trade, against the backdrop of deepening economic partnerships such as EPAs and FTAs, the division of labor in the production process in the manufacturing industry and the fragmentation in the international division of labor has progressed. The international division of labor can be roughly classified into two forms. One is "vertical integration (division)" consisting of a series of supporting industries with large end-product manufacturers at the top and the other is "horizontal integration (division)" that involves cooperation among companies of the same size and level, which is seen in areas where small and medium-sized enterprises are concentrated. When considering the industrial promotion policies, it is becoming important to examine policies and measures from the point of view of which manufacturing process in the industry the country should assume and how to participate in the international division of labor, rather than promoting a specific industry. The industrial promotion policies that should be taken differ depending on the country, however, in the midst of globalization of economic activities, it is necessary to properly consider the direction of industrial promotion and tackle the trade and investment promotion in the country following the direction.

Since past years, the World Bank has questioned the effectiveness of industrial promotion policies that involve active government intervention, especially those targeting the growth of specific industries or promotion of exports of specific industries and tended not to prefer those kinds of policies. However, in recent years, economists, including former World Bank chief economist Justin Lin, are claiming the effectiveness of support for selected industries with a comparative advantage by Governments, and there has been a growing interest in Government-led comprehensive industrial promotion policies.

It is necessary to implement trade and investment promotion measures tailored to each country while maintaining consistency with upper-level industrial promotion

¹⁴ Labor market rules, including employment systems, are also often closely related to industrial promotion.

policies; however, the purposes of the policies to be achieved through trade and investment promotion may change according to the level of development of the country. For example, in countries in their early or intermediate stage of economic development, trade and investment promotion is implemented for contributing to the expansion of employment, increase in income levels, reduction of poverty, and formation of domestic supporting industries, while for countries that have achieved a certain level of development or countries dealing with the middle-income trap, trade and investment promotion measures that contribute to challenges such as the industrial advancements and technological upgrade can be designed. Thus, the purpose of the background industrial policy should be fully taken into account when providing support for the trade and investment promotion.

[Support approaches]

JICA presents a wide range of policy options by identifying and analyzing the economic situation and international competitiveness of the partner country to help it develop industrial promotion policies. The counterpart agencies differ depending on the country, including agencies under the direct control of Prime Minister, the Ministry of National Planning, upstream organizations and institutions acting as economic advisors, policy-making ministries such as the Ministry of Economic Affairs and Ministry of Trade and Industry, and enforcement agencies such as the Investment Agency. It is desirable to select an appropriate agency having policy-making authority as a counterpart to ensure the implementation of plans by the partner country's government, and provide support while identifying its implementation capacity. In addition to the major approaches listed below, intellectual contributions are also made by holding seminars/training inviting the partner government's policy-making administrative officers to Japan to transfer the basic knowledge of the formulation of economic and industrial promotion policies, the history and policies of economic development in Japan and other Asian countries.

- i. Provision of policy advice (implementation of policy dialogues, dispatch of policy advisers, etc.)

To develop industrial promotion policies of the partner country, experts from Japanese academic circles and other staff hold policy dialogues with the partner country's government officials and scholars to make policy recommendations and policy advisers are dispatched to provide policy advice.

In the past, policy dialogues have been conducted in Vietnam, Indonesia¹⁵, Laos, and other countries as the “support for the transition to a market economy,” “policy support for economic structure adjustment,” and “support for economic policy.” Recent examples include the Industrial Policy Dialogue in Ethiopia attended by the former Prime Minister Meles Zenawi, Industry Minister and other officials from 2009 (see [Column]) and the Industrial Policy Support Dialogue held in Cambodia.

In recent years, an increasing number of policy advisers (experts) have been dispatched not only to Asian countries but also to African countries to support policy improvement by presenting policy options based on the experiences and viewpoints of Japan and East Asia and providing advice through discussions with local personnel on a daily basis. Currently, Japanese Companies’ expectations for ODA’s contribution to the promotion of trade and investment have also been rising. To meet their expectations, policy advisers provide local information to Japanese Companies from the point of view of supporting their business. They also provide solutions for the issues faced by Japanese companies to the partner country’s government as policy advice feedback to improve the capacity of the government.

ii. Formulation of Master Plan (M/P)¹⁶

Support for the master plan (M/P) formulation is provided mainly by assisting the partner country’ policy planning through the Technical Cooperation for Development Planning (TCDP) and other forms of cooperation. In the process, we will conduct survey and analysis on the partner country’s economy and industries and implement technical transfer for improving the policy planning capacity of the counterpart on a pilot basis. As specific recent examples, under the New Aid Plan in the late 1980s, we provided support to promote exports of ASEAN countries and also support for the development of industrial promotion policies of Sri Lanka and Kenya.

iii. Policy-making and implementation support (Development Policy Lending (DPL), etc.)

This lending is designed to support policy improvement in line with national strategies and poverty reduction strategies of developing countries. The partner country’s government sets “policy actions” for the improvement of policies and

¹⁵ For the policy recommendation for SME promotion (Urata Report) in the Policy Dialogue held in Indonesia, refer to Appendix 2: Case study on cooperation I (p. xiv).

¹⁶ Long-term sectoral development plans for an entire country or for specific regions or comprehensive basic development strategies for specific regions. Usually, these plans are targeted to be completed over a period of 15 to 20 years.

systems in the fields of investment environment improvement, and others., and lending funds are primarily disbursed to the budget against satisfactory achievements of the policy actions.

iv. Others (industry statistics and other data)

When considering industrial promotion policies and various measures mentioned above, it is important to properly identify the current status of “the industry”, “trade and investment” and “inter-industry relations”. Technical Cooperation Projects and dispatch of experts are offered to support for organizing industry statistics and economic statistics as one of the support items in this field.

[Important considerations in implementing projects]

A policy dialogue, if it successfully works, directly leads to the country’s top level decision-making and can bring about a great impact on the development. The Policy Recommendation for SME Promotion in the Republic of Indonesia (Appendix 2: Case study on cooperation 1) and Ethiopia-Japan Industrial Policy Dialogue (Column) are typical examples of such dialogues. For such policy dialogues to function, it should be noted that the followings are prerequisites: (1) the top-level initiative and commitment of the developing country, (2) securing of resources in Japan, (3) the theme of the policy dialogues matching the trend faced by the country, and (4) the support system for providing dialogue recommendations as needed.

Furthermore, for policy dialogue results and master plans to be effectively used, they must be surely incorporated in policy documents, such as a national five-year plan formulated by the government or industrial promotion policy. Therefore, activities must be planned in line with timing of the development process and schedule of the policy documents, and it must be noted whether explanations and input are properly given to important stakeholders and decision makers. In designing and implementing a project, it is necessary to fully confirm the policy-making framework of the partner country’s government.

[Column] Industrial Policy Dialogue in Ethiopia

Following TICAD IV and other related meetings, the former Prime Minister Meles Zenawi requested the Japanese government in July 2008 to learn economic development experiences of Japan and other Asian countries. In response to the request, National Graduate Institute for Policy Studies (GRIPS) and JICA jointly implemented the following two programs: (1)

Industrial Policy Dialogue which aims to discuss the concept of the industrial development strategy and recommendations based on the Asian development experiences and perspectives from the viewpoint of Japan and (2) the quality and productivity improvement (KAIZEN) project started in 2009 as the implementation of practical measures.

For the former, Industrial Policy Dialogue, GRIPS and JICA dispatched missions four times a year during Phase 1 (and twice a year during Phase 2 started in 2012) to (a) meet and have a dialogue with Prime Minister, (b) hold a High Level Forum with Senior Economic Advisor to Prime Minister and state minister-level officials, and (c) hold meetings, dialogues with minister-level and top-level officials. Thus continuous and constructive dialogues were conducted through multi-layer dialogue channels, including dialogues with minister-level and top-level officials. The content of the sessions includes the following: (i) the policy vision (the Office of the Prime Minister), (ii) national five-year plan (Ministry of Finance and Economic Development and other relevant ministries), (iii) economy and industrial promotion policies, including trade promotion and investment promotion (relevant ministries), (iv) sectorial plans and industrial development strategies (Ministry of Industry), and (v) other individual requests (international comparison of industrial master plans (M/Ps), iron and steel field, metal working field, etc.).

The results of these dialogues have been reflected in and had impacts on the Ethiopian government's policies, including the national five-year plan, and the execution phase of those policies. The KAIZEN project in (2) above is positioned as the implementation of practical measures under the upper-level policy dialogues, and the feedback on the progress status is fed back to the place of policy dialogues. As a result, KAIZEN organizations (Ethiopian KAIZEN Institute) have been established and KAIZEN movements have been diffused nationwide as a national level commitment.

(2) Sub-target 1-1-2 Improvement of industrial base systems

To facilitate companies' product development, production, and transactions that contribute to trade and investment promotion, it is a very important task to develop institutional infrastructure as the industrial base that supports industrial promotion. Typical institutional infrastructure includes intellectual property systems to prevent infringement of intellectual property rights belonging to enterprises and standards and conformity assessment systems to standardize the standards of industrial products and certify the compliance of industrial products to the standards. These are important systems for smooth international trading and distribution of goods and services, which are required to be developed in developing countries as base systems for promoting trade and investment. In developing countries, in particular, the development of

intellectual property systems and standards and conformity assessment systems tends to be delayed due to the complexity of the systems. As a result, counterfeit products are prevailing in the domestic market and products conforming to international standards cannot be produced, which act as obstacles for trade and investment. To address these circumstances and to expand trade and improve the country's appeal as an investment destination to foreign companies, it is necessary to strengthen the systems in this field and develop and enhance the capacity of human resources and organizations concerned.

For companies to conduct active and sound business activities, it is important to develop laws and smoothly secure human resources and funds as the basis of business activities. It is also important to develop a competition policy, labor policy, industrial human resources, and financial systems as supporting factors for the promotion of trade and investment. To develop industrial human resources, it is required to train technicians who are directly involved in production operations of companies, develop engineers and technologists who create competitive products, and develop managers who engage in production control and a wide range of corporate management tasks. In order to develop and provide such high-quality human resources, it is necessary to prepare training, discipline, and education systems. For financial systems, it is required to develop and supervise indirect financial markets to smoothly raise funds required by companies, credit risk information and credit guarantee systems to facilitate the fund-raising, direct financial markets (for stocks, bonds, and others.) that allow fund-raising through the issuance of securities, bonds, etc. These Thematic Guidelines focus only on the promotion of trade and investment and do not provide detailed information on the above. For more details of the above, refer to relevant guidelines and papers.

1) Improvement of intellectual property systems

Intellectual property rights is a system in which exclusive monopoly rights are granted to inventors, creators, and others. for their new inventions and creations for a certain term to guarantee opportunities to secure profits, and when the term expires, such inventions and creations are put into the public knowledge (public domain) so that they can be used freely by others. Intellectual property rights include patent rights, utility model rights, industrial design rights, trademarks rights, and copyrights. Developing a system to protect these intellectual property rights and enhancing the implementation system allows companies operating in the country to enjoy profits, which contributes to the improvement in the investment environment by attracting further investments from more companies. For the development of legal systems related

to intellectual property systems, the WTO's Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement)) came into force in 1995. The obligations under TRIPS have applied equally to developing countries since 2000, and developing countries have been required to establish intellectual property systems¹⁷.

[Support approaches]

Developing countries can be classified into (1) those that have not established even basic laws and systems to meet the requirements provided in TRIPS and (2) those that are in the process of developing laws and systems related to intellectual property rights based on the TRIPS Agreement, although it is not sufficient on a practical level. Therefore, support needs to be provided according to the situation of each country.

In the developing countries that fall under (1) above, there are problems such as lack of administrative capacity in relevant agencies as well as lack of a system of application registration for intellectual property rights. In the developing countries that fall under (2) above, although basic intellectual property systems, including the system of application and registration, have been established based on laws and regulations, there are problems such as delays in examination of the intellectual property rights applied due to deficiencies in systems, inefficient examination attributed to poor examination and search abilities of examiners, insufficient control of products that infringe intellectual property rights (counterfeit products, pirated products, and others.) due to lack of knowledge and capacity of enforcement agencies such as courts, customs, and police.

Accordingly, the support content differs depending on which of (1) and (2) the partner country falls under. JICA provides support for the development of intellectual property systems of partner countries by identifying and analyzing the economic situation and development status of intellectual property systems in each country. The specific support items are i to v below.

i. Improvement of intellectual property systems

In the developing countries classified into (1) above, the application examination systems and intellectual property offices are not yet sufficiently organized. Therefore, JICA provides support for improving legal systems, examination systems, and

¹⁷ Having regard to the request from least developed countries, the transition period for least developed countries to implement TRIPS was extended by the decision of the Council for TRIPS of November 2005 to the end of June 2013. TRIPS specifies minimum levels of protection of intellectual property rights in a wide range of fields. Furthermore, TRIPS provides rules for the enforcement of intellectual property rights and ensures substantial protection of intellectual property rights.

administrative processing capacities by dispatching experts. In Indonesia, for example, legal systems compliant with the TRIPS Agreement have been developed, however, regulations and rules under laws have not been fully implemented. Therefore, Advices and instructions for the revision of regulations and rules are provided by dispatching experts.

ii. Enhancement of examination ability

In the partner countries classified into (2) above, Support to enhance examiners' ability is provided by transferring know-how and technique for examination decision and document search to examiners who examine patents, industrial designs, trademarks, etc. at administrative agencies. This makes it possible to improve the quality and speed of examination and reduce pending (backlog) applications. This support has already been provided for many developing countries centering on ASEAN. In addition, efficiency can be further enhanced by developing a document database and search system for intellectual property rights. (For details, see Column below.)

iii. Enhancement of capacity of enforcement agencies for intellectual property rights

We provide support for basic knowledge education on intellectual property and seminars for counterfeit products authenticity assessment to officers of enforcement agencies, such as courts, customs, and police. This support has already been provided for the purpose of enhancing capacity of enforcement agencies in Indonesia, Vietnam and other countries.

iv. Support for activities to raise public awareness of intellectual property systems

In order to suppress the distribution of goods infringing intellectual property rights, the following two activities are effective: i) strengthening the control and ii) raising public awareness of intellectual property rights. We provide support for the latter, but it is necessary to keep in mind that public awareness raising activities do not produce visible results in a short period of time. Our support activities in Vietnam include awareness-raising of intellectual property rights.

v. Development of systems to utilize intellectual property

Developing intellectual property systems is expected to encourage foreign investments and effective to promote industries in developing countries. For universities and local businesses in developing countries to utilize intellectual property rights, it is necessary to develop utilization systems. Specifically, support is provided to help

develop a system to grant licenses for technologies studied and developed by universities and local businesses. In Indonesia, for example, universities are supported to unitize intellectual property rights (through the grant of licenses or other means).

* For Cooperation Case Study related to the development of intellectual property systems in Indonesia, refer to Appendix 2: Case study on cooperation 3 (p. xvi).

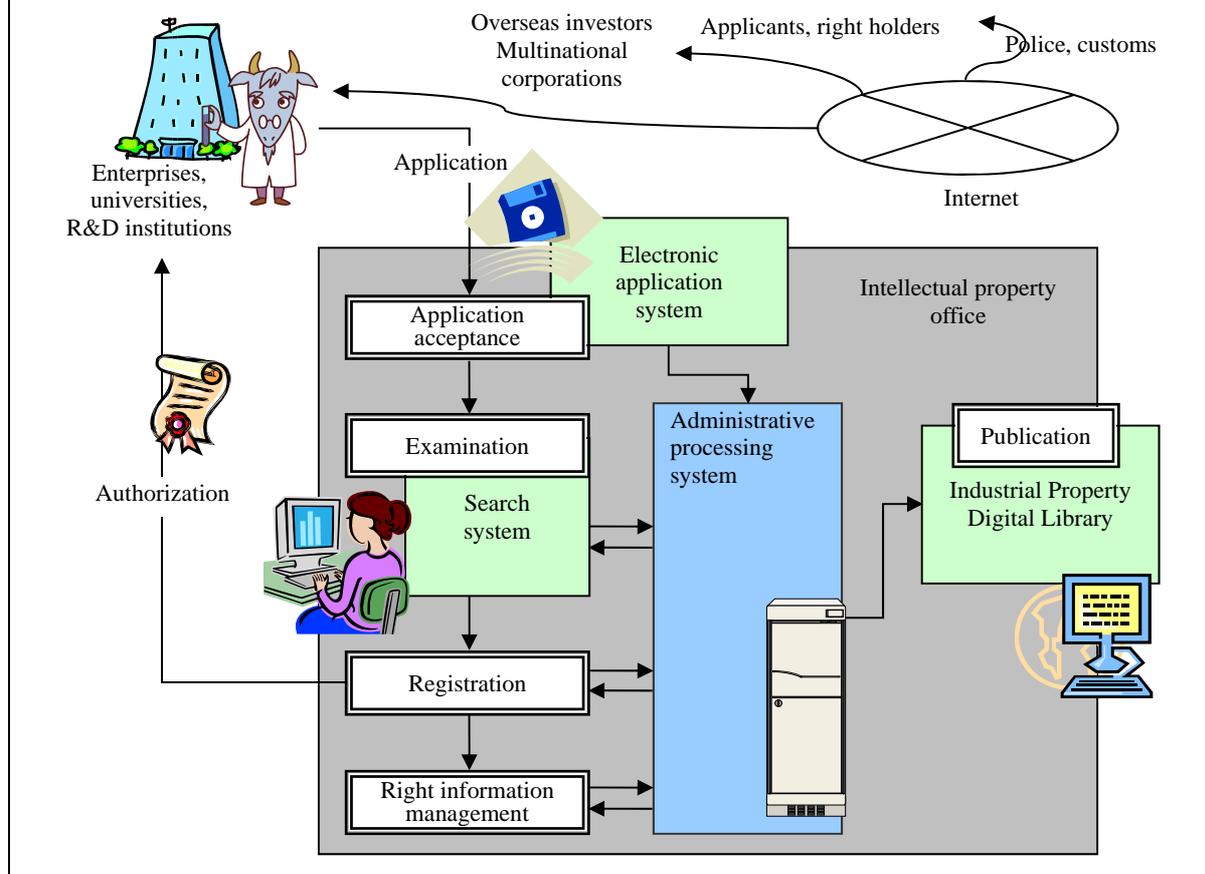
[Important considerations in implementing projects]

In examining and registering intellectual property, JICA has primarily transferred know-how of Japanese Patent Office with intellectual property agencies and intellectual property offices as counterparts. JICA has accumulated many achievements and successful results to date. On the other hand, with respect to the enforcement of intellectual property, JICA has not experienced so many achievements compared to examination and registration. For the enforcement, capacities of enforcement agencies such as customs bureaus, police and courts and their partnerships must be strengthened. It is also necessary to have multiple counterparts in the partner country participate in the project and coordinate activities among agencies. The Japan side needs to secure resources accordingly. In the cases of Vietnam and Indonesia, intellectual property agencies and intellectual property offices were involved as main counterparts, which served as the basis for strengthening the network among enforcement agencies. However, depending on the status of enforcement and challenges faced by the developing country, different counterpart agencies may be selected as the focus of the support. In providing support for enforcement in each country, it is necessary to consider effective and practical content and scope of projects, while taking into account the status of counterpart agencies in the partner country and the status of resources in Japan.

[Column] Cooperation for the mechanization (digitization) of intellectual property rights

If administrative procedures and document database have not yet been fully organized at intellectual property offices in developing countries, they may not be able to cope with an increase in the number of applications for patents, industrial designs, and trademarks due to inefficiency in the examination processing. JICA provides support for the mechanization (informatization and digitization) to improve efficiency in examination operations, including digitization of administrative processing procedures at agencies concerned and establishment of the Industrial Property Digital Library (IPDL) for publication, search system for examiner, electronic application system, and other systems.

JICA has provided support for the mechanization (digitization) of procedures at intellectual property offices sequentially mainly in Asian countries, such as China, Thailand, Indonesia, Malaysia, and Vietnam, which includes (1) digitization of administrative processing procedures at intellectual property offices, (2) establishment of the Industrial Property Digital Library (IPDL) for publication, (3) establishment of the search system for examiner, and (4) digitization of application acceptance (see the figure below).



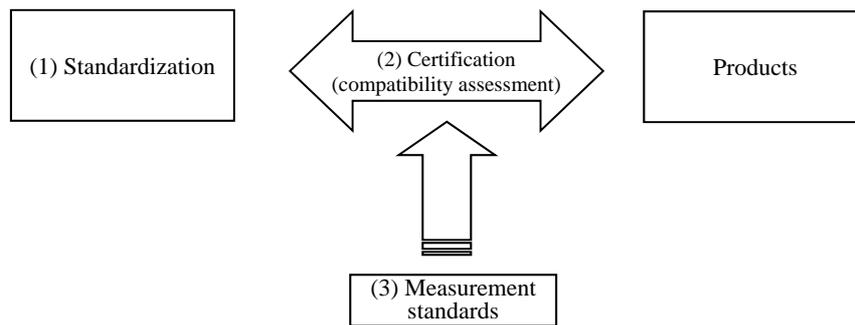
2) Improvement of standards and conformity assessment systems (measurement standards, conformity assessment systems, standardization, etc.)

In order for industrial products produced in the country to be traded freely in international markets, the following factors are important to remove trade obstacles, which also serve as the basis of strengthening international competitiveness: The standards for the products are developed, the products are consistent with the standards in international markets, and the consistency assessment procedures are correct, internationally trusted, and harmonized. In addition, to prevent unnecessary trade barriers, the WTO Agreement on Technical Barriers to Trade (TBT Agreement) which entered into force in 1995 requires WTO members to set and revise mandatory standards, voluntary standards, and certification procedures based on the international standards (ISO/IEC/ITU¹⁸) and to ensure the consistency between domestic standards and international standards. The WTO Agreement on Government Procurement also requires them to define technical specifications for government procurement based on international standards.

Many of developing countries have various problems, such as the lack of recognition of the importance of standards and conformity assessment systems, the lack of administrative know-how and human resources in the field of standards and conformity assessment, and the lack of technology and equipment for testing and calibration.

In order to resolve these circumstances, it is required to widely develop human resources in the field of standards and conformity assessment, improve the capacity of organizations for calibration for maintenance, and certifying and testing standards for measurement, and facilitate international transactions by strengthening partnerships with standards and conformity assessment bodies of Japan and other countries and participating in international mutual certification systems.

¹⁸ All of these are international standardization organizations. The International Organization for Standardization (ISO) is in charge of standardization other than electricity and telecommunications, the International Electrotechnical Commission (IEC) in charge of standardization in the field of electricity and electronics, and the International Telecommunication Union (ITU) in charge of the telecommunications field. ISO and IEC are private organizations and ITU is a UN agency.



[Support approaches]

The field of standards and conformity assessment can be roughly classified into three fields: standardization (establishing standards), certification (evaluating standards), and measurement (measuring). JICA is providing the following support for system development, organization strengthening, and human resources development related to these fields to strengthen the both hardware and software aspects.

i. Support for measurement standards systems

The measurement standards refer to specified standard instruments and reference materials (for example, in mass, a prototype kilogram, etc.) to measure (seven base units of time, length, mass, electric current, thermodynamic temperature, luminous intensity, amount of substance), and the system refers to a comprehensive system such as a standards maintenance and provision system and a system to ensure international equivalence. The improvement of measurement standards systems forms the basis for manufacturing and testing of products and conducting standard and conformity assessment and is indispensable for the development of industries. In developing countries as well, there are numerous cost benefits in establishing measurement standards systems for promoting domestic industries, for example, there is no need to ask another country to calibrate measurement instruments.

As support related to this field, there are support for establishing policies and systems of measurement standards systems, development of measurement facilities, provision of calibration equipment (equipment to check whether measurement instruments can appropriately measure according to the standards), technical assistance and transference of know-how. JICA, independently or jointly, formulates master plans (M/Ps) through the Technical Cooperation for Development Planning (TCDP), implements yen loan cooperation and grant aid cooperation for building facilities and providing equipment, and each scheme for technical cooperation. JICA has implemented these support activities in countries such as Thailand, Malaysia, etc..

ii. Support for conformity assessment systems

Conformity assessment means an action in which a third party confirms whether a product, etc. meets the predetermined standards. The organization performing the certification is called a certification body and the organization providing test data for a certification body to confirm whether or not a product has satisfied the standards is called a Testing Laboratory. Unless these certification and testing systems have not been developed, it is likely to have a negative effect not only on the reliability of products distributed in the market but also on human bodies. Therefore, the certification body and the testing laboratory that operate conformity assessment systems must be appropriately operated for industries of the country to develop.

The support in this field is provided mainly through the implementation of technical cooperation projects. For example, as the support for certification bodies, JICA provides policy support for conformity assessment systems of target countries, gives guidance on know-how and basic idea for certifying products, and others., and provides support for developing documents necessary to be prepared as a qualified certification body. In addition, as the support for testing laboratories, technical assistance is implemented which consists of provision of testing devices to implement tests, technical assistance, transference of know-how and OJT for testing methods to engineering officials who implement tests. JICA has, to date, provided support for strengthening the capabilities of these bodies in countries such as Indonesia, Vietnam, Thailand, Philippines, and China.

JICA also provides support for the participation in the IECEE/CB scheme as a framework in the International Electrotechnical Commission (IEC), an international standardization organization, as a mutual recognition agreement (MRA)¹⁹ and international mutual recognition system. By participating in the CB scheme, certificates issued by certification bodies in a country can be applied in other countries. This scheme enables manufacturers to export their products to multiple countries with saving many steps of testing to acquire certification in each country and thus promotes exports. It also improves the country's appeal as an investment destination to foreign companies. Therefore, many developing countries desire to participate in the CB scheme. JICA has previously provided support for certification bodies and testing laboratories to participate in the CB scheme for Indonesia, Vietnam and other countries.

iii. Industrial standardization

The introduction and promotion of industrial standardization has various advantages

¹⁹ In an MRA, the certification procedures conducted by an exporting country for facilitation of trade is used by an importing country. The government of the importing country accepts the certification procedures of the exporting country. Therefore, exporters can complete the certification procedures in their own countries, leading the promotion of export through the reduction of time and cost.

such as the improvement of convenience and safety of products and services, the improvement of compatibility of products and parts, the reduction of manufacturing and procurement costs, the improvement of repeatability of technologies, the improvement of efficiency of research and development, and an expansion of opportunities to tie up with other companies. From the viewpoint of trade and investment promotion, the promotion of international standardization ensures consistency in compatibility and interface of products and services among countries, which is therefore extremely important as the basis for promoting trade and investment. For example, in order for Japanese companies to ensure competitiveness in global markets in the past, a system for strategic coordination and cooperation on standardization has been built mainly in the Asia-Pacific region. Thus the cooperation between the public and private sectors has a great significance.

iv. Transfer of basic knowledge

By inviting administrative officers of partner countries' governments involved in making policies of standards and conformity assessment systems and engineering officials involved in measurement standards, conformity assessment, and testing and conducting training for them, JICA is providing support for not only the introduction of basic knowledge of standards and conformity assessment systems but also practical guidance on conformity assessment and testing operations, etc. and the introduction of the standards and conformity assessment system in Japan.

[Important considerations in implementing projects]

JICA has implemented cooperation projects in the introduction of the National Measurement Standards System as the basis for measuring things precisely in Thailand and Malaysia. Since this system covers numerous measurement items, the size of the project tends to be large, involving many experts for guidance and many equipment and facilities to be maintained. Therefore, attention needs to be paid to properly select items to be preferentially maintained from many measurement items, perform measurement after the maintenance, and build a maintenance and management system. If not, there is a risk that inputs provided by cooperation cannot be used effectively and continuously. On the other hand, by providing support taking a certain period of time, many measurement standards systems have taken root and produced results as the basis for promoting the manufacturing industry.

Standardization and conformity assessment systems to be the target of support is determined depending on which performance of what product is measured by the

system and the market needs for production and trade in the partner country and (surrounding) regions including Japan. Systems that are consistent with the policy needs of the partner country are often selected as the target of support, such as systems for domestic consumer protection like safety standards for electric appliances and systems contributing to domestic energy policies like energy-saving performance evaluation of electric appliances. On the other hand, in the case of products actively traded in the region, support may be provided to make the domestic standards and conformity assessment system be recognized as the level permitted by international mutual recognition to promote the development of the domestic export industry and the regional economy. In addition, it is sometimes the case that standards and conformity assessment systems to appropriately evaluate Japan's excellent technologies are selected as the target of support, aiming for mutual benefits between the partner country and Japan. In conducting cooperation in this field, it is important to fully confirm which fields should be targeted for cooperation, the needs and significance of partner countries, surrounding regions, and Japanese companies, and formulate and implement operations. In implementing technical cooperation projects in this field, it is not always easy to secure resources in Japan as specialists with knowledge exist only in specific administrative agencies and concerned institutions. Therefore, it is necessary to consider whether or not domestic resources can be secured to implement a project.

Mid-term Objective 1-2 Infrastructure development

Sub-target 1-2-1 Improvement of economic infrastructure

Sub-target 1-2-2 Development of special economic zones and industrial parks

In developing countries, infrastructure, such as roads, ports, electricity, telecommunications, and water, has not been developed enough for companies to conduct economic activities. For trade and investment promotion, the development of infrastructure and the related systems is an extremely important challenge.

In order to facilitate export and import and enhance attractiveness as investment destinations, the reduction of logistics cost by the development of transportation and traffic infrastructure (roads, railways, ports, airports, etc.), the improvement of access to international markets, and the development of infrastructure necessary for corporate activities such as electricity, energy, and telecommunications are important. In recent years, since the movement toward regional integration has accelerated by multiple countries, the development of cross-border transport infrastructure (CBTI) transcending

national boundaries to promote economic partnership in the region has also become important. In particular, the improvement of transportation and traffic infrastructure improves the connectivity between industrial clusters and contributes to the creation of value chains through the reduction of the cost of service links that combine production sites.

In addition to the above, the importance of constructing and developing industrial parks where infrastructure is intensively developed to promote industrial location and investments by foreign companies and special economic zones (SEZs) to which special incentives are granted for conducting economic activities has been increasing. In recent years, in addition to injecting public funds including yen loans for the development of such economic infrastructure, there is an increasing trend to use public-private partnership (PPP). JICA has started the “Preparatory Survey for PPP Infrastructure Projects” for formulating projects in which the public sector and the private sector develop partnership in the public field where only public sector has so far conventionally engaged in construction, development, and service provision.

(1) Sub-target 1-2-1 Improvement of economic infrastructure

Through the improvement of hard infrastructure contributing to trade and investment promotion, it is important to reduce logistics costs by the development of transportation and traffic infrastructure (roads, railways, ports, airports, etc.), improve access to international markets, and develop infrastructure of electricity and power transmission and distribution and telecommunications infrastructure. These should be developed not only from the viewpoint of trade and investment promotion, but also from the viewpoint of urban development and regional development so that various infrastructure developments are not made randomly. In addition, the social and environmental consideration is also important. This sub-target is to be worked on from the overall viewpoint of the country and region and urban development, still this sub-target has significance as indispensable for trade and investment promotion.

[Support approaches]

i. Development of transportation and traffic infrastructure

For trade and investment promotion, it is important to develop port and airport infrastructure necessary for trade and road infrastructure connecting ports and airports and commercial and industrial areas where economic activities are conducted. The development of transportation and traffic infrastructure is one of the important measures to improve the efficiency of logistics operations which is indispensable for trade and

investment promotion and even the country's economic development, though it involves a large scale of investment. In recent years, the movement toward regional integration involving multiple countries has accelerated. Therefore, it is also important to develop CBTI transcending national boundaries for the promotion of economic partnership in the region.

ii. Development of electricity and power transmission and distribution infrastructure

Many of developing countries have poor electricity infrastructure, and suffer from frequent rolling blackouts and accidental blackouts have a negative impact on their economic activities. The availability of a stable and high-quality electricity supply is an important factor for private companies to make decisions on making foreign direct investment. The development of infrastructure which provides stable electricity has a role not only on supporting the general social life of people and economic activities of industries, but also on providing better conditions for trade and investment promotion.

iii. Telecommunications infrastructure

The improvement of telecommunications infrastructure is indispensable not only for the general social life of people and industrial activities but also for the development of an environment for trade and investment promotion. In general the development of telecommunications in many developing countries follows the process of the establishment of a state-owned telecommunications company, privatization of the state-owned company, and deregulation of the entry of private companies. Depending on the level of development of the telecommunications field in each developing country, different measures are required, such as the strengthening of management of the state-owned company as a communication platform, privatization of the state-owned company as the next step, or deregulation in the telecommunications field.

[Important considerations in implementing projects]

For details and considerations in implementing measures, refer to the corresponding Thematic Guidelines.

(2) Sub-target 1-2-2 Development of industrial parks and special economic zones

In order to enhance attractiveness as investment destinations from foreign companies, as described in 1-2-1 above, it is effective to develop special economic

zones (SEZs) and industrial parks where economic infrastructure, such as transportation and traffic, electricity, power transmission and distribution, and telecommunications, is intensively developed at limited areas, not across the country. At SEZs special preferential treatments (incentives) are granted to economic activities, such as tax allowance or custom exemption and so forth. Even if it is difficult to develop infrastructure widely, it would be easy for developing countries to designate specific areas or regions and prepare necessary infrastructure and provide various preferential treatments for domestic and global companies located in the certain areas, which in many cases effectively attracts investments and promotes trade.

After 1970s, export processing zones (EPZs) in the East Asian region, including Taiwan and South Korea, have greatly contributed to economic development in the same region. Therefore, many countries have introduced SEZs as their investment promotion policies, and as a result, there are approximately 3,000 SEZs in 135 countries and regions today²⁰. Out of the 3,000 SEZs, approximately 2,300 SEZs are located in developing countries or economies in transition, and exports in SEZs sometimes account for 70 to 80% of exports in the manufacturing industry of developing countries. SEZs in the Asia-Pacific region are estimated to absorb 2.3% of employment in the same region.

[Support approaches]

i. Development of special economic zones (SEZs)²¹

There are two types of support for the development of special economic zones (SEZs). The first one is hardware support, including the development of factory sites, development of roads and water and sewage facilities, and the other is software support, including the development of legal systems for SEZs, support for the environmental assessment in establishing SEZs, examination of special preferential treatments (incentives) for economic activities in SEZs, and operational management of SEZs.

As direct hardware-related support, there are development of facilities exclusive for SEZs, in particular, factory sites (industrial parks) and development of the surrounding infrastructure necessary for operation and management of special zones (water and sewage, electricity, and waste disposal generally provided as public services). Generally, exclusive facilities are developed by private developers, and development aid agencies

²⁰ FIAS (2008) Special economic zones: Performance, lessons learned, and implications for zone development

²¹ There is no unified definition of SEZs. However, in accordance with the FIAS (2008), it is defined as “geographically classified regions governed by a single governmental body, which grant incentives of some kind (duty-free imports, simplified customs procedures, etc.) to companies located in the regions.”

generally support the development of the surrounding infrastructure. Such support is provided with yen loans after implementing master plan studies and feasibility studies in the same way as the support for industrial parks.

In order for SEZs to successfully attract foreign investments, it is important that the development of the SEZs is set out as a clear policy target in the national development plan, etc., and that investment environment is improved and systems are developed strategically and intensively under the policy. It is also necessary for government agencies that administer and control SEZs to have enough capacity to properly adapt to international environment and strengthen the capacity of institutions concerned to prevent delays in business due to bureaucratic procedures and unclear procedures due to corruption, etc. As software-related support, JICA provides a variety of support programs, from upstream to downstream, including consideration of SEZ development strategies and preferential treatments (incentives) for companies moving into SEZs and technology transfer related to the operational management of SEZs.

ii. Development of industrial parks

In order to enhance attractiveness as investment destinations, lands to build companies and factories need to be developed, and facilities necessary for production activities, including access roads, industrial water, electricity, telecommunications, drainage, and waste disposal sites, need to be intensively planned and constructed. JICA supports the formulation of industrial park plans by implementing master plan studies and feasibility studies, and the development and construction can be supported by yen loans. JICA also provides technical cooperation to public institutions on the maintenance and operational management of industrial parks.

[Important considerations in implementing projects]

In the development of industrial parks and SEZs, there are many successful cases in the South-East Asia. Such development projects were planned and designed through master plan studies and feasibility studies by the Technical Cooperation for Development Planning (TCDP) (former Development Study) and financed by yen loans, which led to foreign direct investment.

On the other hand, the development of industrial parks and SEZs needs to be planned focusing on the policy and strategy aspects such as identifying the industry the developing country's government wants to promote, confirming the consistency with upper-level industrial policies, and identifying the roles and strategies of industrial parks and SEZs. At the same time, it is also important to analyze corporate investment

interests and needs and investigate the validity of development and operation of industrial parks. In other words, it is necessary to keep in mind that it is not a simple infrastructure development but it requires inputs from industrial promotion policies and investment policies and analysis of corporate investment needs through cooperation with the partner country. Japanese companies (including small and medium-sized enterprises) are active in overseas expansion in recent years. It would be beneficial for both developing regions and Japan to develop industrial parks and SEZs that are attractive for Japanese companies through information collection and communication.

In case of SEZs development special incentives are expected to be given to companies, which require involvement of many institutions responsible for legal systems and licensing. Therefore, it is important to get appropriate stakeholders involved in the project through core counterparts in advance.

[Column] Sihanoukville Port Special Economic Zone Development Project in Cambodia

Cambodia became a member of WTO in 2004 and promoted the development of legal systems related to investment and economy. However, the attraction of foreign direct investment was delayed due to bottlenecks confronting the country in promoting investment, such as complicated administrative procedures and undeveloped infrastructure. In June 2007, the Japan-Cambodia Investment Agreement was concluded, and Cambodia was requested to immediately improve the investment environment by Japanese companies.

To cope with this situation, Cambodia decided to develop about a 70-hectare “special economic zone (SEZ)” adjacent to the Sihanoukville Port, the only international port in Cambodia, located approximately 240 km south west from the capital Phnom Penh developed by using yen loans since 1996. For developing the SEZ, yen loans were provided in March 2006 for engineering services and in March 2008 for consulting services to support the development of factory sites, roads and water and sewage systems, construction supervision, and activities to attract foreign direct investments. The SEZ was completed in May 2012. As the Sihanoukville Port Authority, the executing agency for the project, had no experience in sales and operation of industrial parks, JICA dispatched marketing and operations experts for the Sihanoukville Port special economic zone (SEZ) to provide assistance (2011–2012). In March 2013, an overseas subsidiary of the Oji Paper Group constructed a cardboard manufacturing factory and started operations as the first entrant.

To further promote investments, it is important to improve marketing and customer services. In addition, it is also important to develop an environment which enables to provide services more responsive to customer needs by providing advice about the operation of the Sihanoukville Port Authority itself.



Special Economic Zone Administration Building (left) and Container Freight Station (right)



Wastewater Treatment Plant exclusive for the special zone developed to prevent the discharge of factory wastewater

2-2-2 Development Strategic Goal 2: Improvement of systems for trade promotion

Mid-term Objective 2-1 Reduction of trade obstacles

Sub-target 2-1-1 Reduction of tariffs and non-tariff barriers

Sub-target 2-1-2 Facilitation of trade procedures

Mid-term Objective 2-2 Strengthening of international competitiveness

Sub-target 2-2-1 Improvement of access to foreign markets

Sub-target 2-2-2 Strengthening of companies' capacities for management and production

There are two major measures to promote trade: (1) reduction of tariffs and non-tariff barriers that serve as obstacles for imports and exports and facilitation of trade procedures at the border and (2) strengthening of international competitiveness of industries and enterprises as main players in trade.

As for reduction of trade obstacles, it is important to formulate trade policies and systems to reduce trade barriers. The reduction of trade barriers naturally increases trade opportunities. On the other hand, however, it could lead to a shakeout of uncompetitive domestic industries as a result of being exposed to international markets. Taking into account both the opportunity and risk, it is necessary to consider the timing and schedule to join in international trading systems and agreements, as well as the domestic support system and measures required. In addition to the planning and practice of trade promotion policies, including formulation and implementation of policies and systems, facilitating trade through the reduction of physical labor, time and cost for trade procedures and logistics are also important factors to promote trade.

The latter, strengthening of enterprises' international competitiveness, is to strengthen enterprises to be major players in trade. For promoting trade, it is necessary to strengthen the production capacity to produce products with competitive quality, productivity, and prices in global markets as well as service delivery capacity, and it is also necessary to strengthen outreach activities, such as identifying and responding to trends in international markets to gain access to international markets and learning trade procedures.

Mid-term Objective 2-1 **Reduction of trade obstacles**

Sub-target 2-1-1 Reduction of tariffs and non-tariff barriers

Sub-target 2-1-2 Facilitation of trade procedures

Trade obstacles include tariff barriers where each country levies high tariffs on exports and imports to protect their own industries and consumers and non-tariff barriers where each country imposes quantitative restrictions on imports and exports, and excessively strict quality inspections, safety standards and sanitary standards on imports and exports. To reduce these trade obstacles, both upstream and downstream approaches, including formulation and implementation of trade policies and systems in line with international rules and simplification and harmonization of trade procedures (trade facilitation), need to be taken.

Trade policies and systems need to be carefully examined, taking into account the surrounding international economic circumstances and domestic economic situation and circumstances. Trade policies and systems often contain politically sensitive content and affect all the stakeholders' interests both domestically and abroad. In contrast, trade facilitation, which intends to facilitate the global flow of goods and services, does not basically affect stakeholders' interest and is positively used as an effective solution for trade promotion²².

(1) Sub-target 2-1-1 Reduction of tariffs and non-tariff barriers

Trade policies and systems can be classified into policies and systems at the border, such as tariffs levied on imports and exports and trade procedures, and policies and systems behind the border.

International rules, such as WTO agreements, FTA and EPA, require development or improvement of domestic policies and systems in conformity with international rules and regulations. These international rules and regulations provide tariff rates imposed on exports and imports at the border, trade procedures, and a wide range of variety of domestic policies and systems related to intellectual property, standards certification, and investment regulations. To implement these policies and systems in line with international rules and regulations, a wide range of knowledge and system development is necessary. However, as many developing countries are generally suffering from bottlenecks such as lack of qualified human resources and capacity of administrative agencies concerned and vulnerabilities in administrative systems, they

²² In trade facilitation, it should be noted that there are people benefitted from rents generated from disrupted or uncertain trade flows, and the problem cannot be easily resolved.

cannot smoothly investigate the consistency between existing domestic laws and regulations and international rules and regulations, and develop and implement new legal systems.

At the same time, as trade liberalization may cause an impact on domestic industries in developing countries, it is necessary for developing countries to recognize both advantages and disadvantages of trade liberalization and facilitate understanding of international rules and regulations in formulating as well as implementing trade policies and systems.

[Support approaches]

Regarding International agreements and frameworks related to trade liberalization, such as WTO agreements, FTA and EPA, JICA provides the following support to improve the ability to fulfil those agreements and frameworks with a view to (1) formulating policies and systems and (2) increasing beneficial effects after identifying the partner country's status of joining those agreements or frameworks and analyzing performance status of agreements and ability to fulfill agreements.

i. Development of trade policies and systems

JICA has provided support to contribute to enhance the capacity of counterparts and develop and improve policies and systems through providing policy recommendations. Support has been provided mainly in the following areas through the holding of training programs, dispatch of advisors, and implementation of the Technical Cooperation for Development Planning (TCDP).

- Improvement of understanding of international trade agreements and frameworks, including WTO agreements, FTA and EPA.
- Analysis of impact of trade obstacles and liberalization on the country's economy and industry
- Examination of trade policies (liberalization and promotion measures)

ii. Improvement of abilities to implement trade policies and systems

JICA has provided support to the government officers in partner countries to enhance their capabilities to meet requirements of WTO agreements, FTA, EPA, etc. by holding training programs, dispatching experts, and implementing the Technical Cooperation for Development Planning (TCDP) and Technical Cooperation Projects.

JICA's main counterpart agencies in the cooperation above are trade-related

government agencies, including the Ministry of Economic Affairs, Ministry of Commerce, and Ministry of Trade and Industry, however, depending on the content of the agreement, the project involves a wide range of government agencies, including the Ministry of Industry, standards-related agencies, and intellectual property-related agencies.

[Important considerations in implementing projects]

Developing countries are our developing partners as well as trade negotiating partners, therefore, when developing policies and systems, we should maintain a neutral position so that we do not give them an impression that we are emphasizing Japan's position in trade, depending on the content of the seminar or lecture.

- * Refer to Appendix 2 “Case study on cooperation 5: Project for Strengthening of the Utilization of Indonesia-Japan Economic Partnership Agreement (IJEPA)” (p. xix), “Cooperation Case Study 6: The Capacity Building Program on the Implementation of the WTO Agreements in APEC Area” (p. xix–xx).

(2) Sub-target 2-1-2 Facilitation of trade procedures

Facilitation of trade procedures is to expedite trade logistics by simplifying trade-related procedures, including customs procedures. It could reduce trade-related costs and promote imports and exports, and bring about cost reduction advantages not only to the country itself, but to its trade partners.

As described above, tariff rates generally serve as an obstacle for trade; however, a negotiation for tariff rate reduction is likely to be a political issue which often takes time to reach an agreement, as seen in WTO negotiations. On the other hand, facilitation of trade procedures, which mainly aims to streamline and improve efficiency in procedural processes, is a task that is easy to work on for both the public and private sectors. In addition, trade-related costs are an important factor for companies to make decisions about foreign direct investments. Therefore, reducing trade-related costs by simplifying procedures is important from the viewpoint of investment environment improvement.

The following problems are often observed in trade procedures:

- Necessary procedures are not clearly specified
- Import and export procedures are complicated, involving multiple ministries and agencies

- It takes a very long time from the import application to the receipt of the cargo

These problems arise from import/export permission procedures, customs procedures, ports and airports operations, and other procedures and operations in the country. Trade procedures include import/export permission and registration procedures by the ministries and agencies in charge of relevant products, importer and exporter registration, customs procedures, and others. These procedures sometimes require involvement of a number of ministries and agencies, which makes the procedures complicated and time consuming.

[Support approaches]

To improve trade-related procedures for trade facilitation, it is necessary to clarify bottlenecks in the overall import and export process. The time required for trade procedures and physical cargo flows at ports and national borders is measured and analyzed, and after bottlenecks have been identified from the results of analysis, laws, regulations and systems are developed to improve specific processes. Capacity improvement is also required to properly implement them. As mentioned above, a number of parties concerned are involved in trade process and in many cases, duplications and inconsistencies exist in the procedures. Therefore, coordination among multiple ministries and agencies is essential to improve this situation. Specific support methods are as follows.

i. Streamlining of trade permit procedures

Prior to trading, various approvals and permits are needed, including importer and exporter registration, inspection of commodities to ensure compliance with domestic standards. These procedures are usually set out individually by each ministry and agency, and in many cases, it is difficult to clearly identify a comprehensive picture of procedures in the country. Clarifying the whole picture of the permit and approval procedures is expected to contribute to streamlining and improving efficiency of procedures by detecting duplications and inconsistencies in the procedures.

ii. Improvement of efficiency in customs procedures

In customs declaration, (1) cargo classification and (2) calculation of customs duties are required. For these procedures, although international standards have been established by international conventions, such as the Revised Kyoto Convention, there are many cases where customs officers of each country do not properly operate by understanding the rules. In this case, it is effective to enhance the capacity of

customs officers.

Customs inspects cargo for regulatory purposes; therefore, it is also important to establish a system to properly identify suspicious cargo based on the customs declaration information (i.e., customs risk management), which could shorten the time required for customs clearance by reducing the possibility of legitimate operators' cargo being inspected.

iii. Introduction of

A single window system can be introduced in relation to the streamlining of trade permit procedures described i) above. It is common that documents for import and export of commodities are required to be submitted to different offices. Many of these procedures are necessary and cannot be omitted, though they can be streamlined to some extent. By centralizing the submission of these documents (i.e., single window system), these procedures can be more efficient. To cope with an increase in the volume of data handled by centralizing procedures with the single window system, it is noted that a new computer system may be needed.

iv. One Stop Border Post: OSBP

When cargo passes through an international border, entry and exit procedures are required in each country. This project aims to speed up these procedures system by centralizing operations (One Stop Border Post) at land borders, in particular. To realize OSBP, development of necessary laws, regulations and procedures, capacity building of customs officers and customs agents, and development of OSBP facilities are required in countries on both sides of the border.

[Important considerations in implementing projects]

Cargo import and export procedures involve a number of ministries and agencies. Therefore, when trying to simplify and streamline import and export procedures, it often takes a lot of time to coordinate ministries and agencies concerned. To improve this situation, it is necessary to (1) confirm the partner country's policy efforts for streamlining trade procedures (e.g., ASEAN single window plan, etc.) and (2) select appropriate ministries and agencies that can serve as the focal point as the counterparts for the project.

Mid-term Objective 2-2 Strengthening of international competitiveness

Sub-target 2-2-1 Improvement of access to foreign markets

Sub-target 2-2-2 Strengthening of companies' capacities for management and production

In order for companies to strengthen international competitiveness, companies must have the capability to provide products and services that can be accepted in international markets and the marketing (outreach) ability to launch the products in international markets. In order to promote trade in developing countries where industries (supply side) that can provide products and services competitive in international markets in terms of quality and price have not been fully developed, it is necessary to have the perspective of how to find and develop potential industries or products.

In addition, for trade promotion, it is important for companies in developing countries to actively approach international markets, identify and analyze potential demand (demand side), and demonstrate their attractiveness appropriately and effectively to international markets. In developing countries, however, collection and analysis of information on international markets and other countries' markets are insufficient. Also, companies in developing countries are lacking the ability to analyze demand in international markets, and administrative support to enhance the capability to transmit information is also lacking. Furthermore, since the knowledge and information of trade procedures is lacking, even if companies have the capabilities to provide internationally competitive products and services, they cannot export and launch the products into international markets. Therefore, it has become essential to enhance the practical trade knowledge in parallel with strengthening capability of management resources of companies.

(1) Sub-target 2-2-1 Improvement of access to foreign markets

For trade promotion, it is indispensable to transfer knowledge and skills of trading practices to people involved in international marketing and domestic trade. In order to upgrade their knowledge and skills, each government provides services for the preparation of trading practices training and international market information for local companies through trade promotion institutions²³, such as trade training institutions and export promotion organizations.

²³ Depending on the country, ministries and agencies such as the Commerce Ministry in charge of trade transactions, local governments, etc., and private institutions such as chambers of commerce and trade associations provide these services for companies.

However, some developing countries have not been able to provide services to exporting companies due to the lack of such institutions, insufficient trade promotion system, lack of capabilities, experiences, and know-how of administrative human resources. For such countries and regions, JICA also provides support for establishing and reforming organizations so that trade promotion institutions, etc. can provide effective services related to the promotion of trade activities through formulating master plan.

[Support approaches]

- i. Enhancement of trading practices and marketing capacities (including market information and product development)

JICA enhances marketing capacity and promotes business matching by providing information on foreign markets and overseas buyers and supporting expansion of sales channels through exhibitions, and receiving requests for consultation on exports through trade promotion institutions. JICA also provides knowledge, experiences, know-how, etc. necessary for trade by conducting practical trade training for exporting companies.

- ii. Enhancement of capacity of trade promotion institutions

The support in i. above is provided through trade promotion institutions. However, if trade promotion institutions do not have enough capacity to implement policies and measures, JICA will provide technical assistance for the reform, reorganization, and improvement of the operation and management systems and the human resources development system of the institutions. In the past, JICA has implemented technical cooperation projects for trade promotion institutions in Laos and Indonesia, etc. In these projects, JICA implemented knowledge and technology transfer for concerned institutions, enhanced their capacity to conduct training, developed a system to implement measures related to trade promotion, and strengthened partnerships, etc.

[Column] Efforts of JICA for comprehensive trade promotion in Indonesia

JICA has started support for trade promotion in Indonesia since the late 1980s. In accordance with the needs of Indonesia, JICA has gradually expanded its support areas from the mere provision of training to strengthening skills to conduct training, expansion of services to local areas, and strengthening of international marketing capacity other than trade training²⁴.

Regarding the cooperation to the trade training center (IETC: Indonesia Export Training Center) started in 1988, JICA at first constructed the trade training center with grant aid cooperation. The Project mainly conducted training for companies to provide knowledge and know-how necessary for trade (Phase 1). After that, JICA shifted the focus to human resources development for planning and operational capabilities for training programs (Phase 2). Furthermore, in order to provide knowledge and know-how necessary for conducting trade to companies located in other than Jakarta, JICA worked together with state governments and established the “Regional Export Training and Promotion Center (RETPC)” in several local cities and implemented the “Project for Establishment and Capacity Building of Regional Export Training and Promotion Centers” (2002 to 2006) for the development of export in local area..

On the other hand, in order to back up companies’ trade, from the viewpoint that it is necessary for export promotion organizations to strengthen and support international marketing such as collection of information on foreign markets, holding of exhibitions, and collection and transmission of information on foreign markets, in addition to trade training, JICA provided support for organizational reform and strategy formulation of the National Agency for Export Development (NAFED), Ministry of Trade, as the superior institution of IETC (development study “Strengthening for Export Promotion Organization” (2007 to 2008)). Then, based on the “Organizational Change Plan for NAFED” prepared through the same support, the organization was reformed from an affiliated agency of the Ministry of Trade into the Directorate General of National Export Development (DGNED). To facilitate the organizational reform, the “Project on Service Improvement of NAFED” has been implemented for the period of 2010 to 2015.

JICA has provided cooperation to government officials for implementing international trade agreements and strengthening response capabilities, including the improvement of customs systems for trade facilitation since the late 1990s, and since the 2000s, WTO capacity building, and the strengthening of the use of the Japan-Indonesia Economic Partnership Agreement. JICA continues providing comprehensive support for trade promotion, covering wide range of export promotion issues as follows;

1988 to 1993	Project for Establishment of Export Training Center(Phase 1)
1989	Constructed the Indonesia Export Training Center (IETC) with grant aid cooperation
1997 to 2001	Human Resource Development in Trade Sectors (Phase 2)
2002 to 2006	Project for Establishment and Capacity Building of Regional Export Training and Promotion Centers
1999 to 2000	Follow-up Study on Supporting Industries Phase 2 (export promotion)
2005 to 2010	Development Policy Advisor in Trade Sector
2006 to 2008	Strengthening for Export Promotion Organization (development study)
2010 to 2015	Project on Service Improvement of NAFED

²⁴ For details of trade promotion support in Indonesia, refer to JICA (2006) evaluation by external organizations: Thematic Evaluation on Economic Partnership.

(2) Sub-target 2-2-2 Strengthening of companies' capacities for management and production

Many of developing countries have little number of companies that can provide internationally competitive products and services. Therefore, for trade promotion, it is necessary to strengthen management resources (human resources, management and technical know-how, funds, etc.) of individual companies producing products and services. In order to develop companies that can produce attractive products accepted in international markets, it becomes necessary to develop partnerships not only with ministries and agencies such as the Ministry of Trade in charge of the trade, but also with institutions such as the Ministry of Industry that promotes industrial development.

[Support approaches]

i. Improvement of quality and productivity

In promoting trade in developing countries, it is necessary for companies to enhance the capacity to produce and provide internationally competitive products and services. Above all, enhancement of quality and productivity of companies is recognized as one of the important factors for export promotion. For that, there is an increased need for support from Japan based on Japanese quality management and production management represented by “KAIZEN.” Such support is provided for companies in the relevant field to establish mechanisms and systems to provide services and to develop “business development service providers” (consultants, etc.) with public institutions in developing countries as counterparts through technical cooperation projects, the Technical Cooperation for Development Planning (TCDP), and by dispatching experts or senior volunteers²⁵.

ii. Others (conformity with international food safety standards, packaging technologies, etc.)

In developing countries, Agricultural products are often exported unprocessed. The expansion of production of agricultural products in developing countries does not lead to the reduction of poverty in rural areas. Therefore, the export of processed agricultural products is an important development challenge for job creation and income improvement in rural areas. For the export of processed agricultural products, it is necessary to comply with international food safety standards²⁶ in

²⁵ For details, refer to Chapter 2 of Thematic Guidelines Small and Medium-sized Enterprises (SME) Promotion.

²⁶ HACCP (Hazard Analysis and Critical Control Point), etc.

addition to the improvement of productivity and quality of the products. Furthermore, improvement of package designs for products and goods and packaging technologies also lead to strengthening international competitiveness. Appropriate technical guidance in this field could back up the trading activities of companies in developing countries²⁷.

[Important considerations in implementing projects]

Business support services for companies are called business development services (BDSs). In order to strengthen the capacity of BDS provider, it is necessary to provide support after deliberating the roles of the public and private sectors. When BDSs are provided by public institutions, JICA provides support for public institutions to strengthening their capabilities to provide business support services. When BDSs are provided by private consultants, JICA provides support for introducing a consultant qualification system to ensure high-level BDSs and support for public institutions to plan and implement corporate support measures using private consultants.

The support scheme differs largely depending on the corporate support mechanism of the partner country. European and U.S. donors say that it is difficult for public institutions to always update and provide technologies and knowledge required by companies, therefore, they insist that public institutions should be facilitators for providing BDSs. On the other hand, it is difficult to provide, on a business basis, the underlying technologies and knowledge for small and medium-sized enterprises and there are not enough BDS providers in the private sector. Therefore, there are cases where public institutions need to play the role. When providing technical assistance to partner countries, it is necessary to launch cooperation project after fully deliberating what kind of mechanisms JICA should support at the stages of formation and implementation of projects. (Refer to Thematic Guidelines Small and Medium-sized Enterprises (SME) Promotion.)

²⁷ For example, in the Philippines, JICA provides support for Project for Improving Competitiveness of Local SMEs through Better Packaging (competitiveness improvement project of local SMEs by packaging improvement in the Philippines).

[Column] Japan Center's Business²⁸

Japan Centers have been established as bases for business personnel training in countries transitioning to a market economy since 2000. Today, there are eight Japan Centers in seven countries.(JICA's cooperation for the Ukraine-Japan Center and the Kazakhstan Japan Center ended in 2012.) Each Japan Center provides the following three courses as its main activities: 1) Business Courses, 2) Japanese Language Courses, and 3) Programs to Promote Mutual Understanding. In recent years, the Centers shifted their policy to focus on Business Courses to develop business personnel in each country. (Myanmar-Japan Center focuses on business training activities only)

The Japan Center's business training activities cover (a) management of business courses and (b) management diagnosis and field advisory activities. JICA has dispatched experts to each Japan Center to assist business training programs by developing different curriculums and managing courses depending on the needs of each country. The cumulative total number of graduates surpassed 67,000 (as of 2012). Each Center provides practical business courses, such as business management and production management. Also, new efforts, including the development of local lecturers and business partnerships with related agencies, have been started to secure the sustainability of each Center. The Vietnam-Japan Center provides support for Japanese companies to enter the Vietnam market by accepting local employees working for Japanese-affiliated companies in its business courses to develop local employees who understand the Japanese-style management (250 employees per year).

Furthermore, Japan Centers also undertake outsourced operations of local businesses established by Japanese companies as part of their CSR activities and hold seminars sponsored by Japanese companies to transfer Japanese technologies and experiences.

Japan Centers have accumulated local information and developed networks through various activities by locating their offices in host countries, and have been providing support for Japanese companies to enter overseas markets through a wide range of activities, including business training programs to develop local industrial human resources and provision of information to Japanese companies aiming to enter each country's market.

[Column] Fair trade

Fair trade is a trade system that supports sustainable development of producers in developing countries. With a recent growing interest in fair trade, a number of private companies, enterprises and organizations are introducing fair trade in their business. In implementing fair

²⁸ Japan Center's website (<http://japancenter.jica.go.jp/>)

trade, it is often the case that companies in developed countries and local fair trade organizations work together to develop the capacity of producer organizations, develop certificates, and provide technical guidance including marketing in developed countries' markets. It is suggested that such operations could be conducted in cooperation and partnership with JICA's conventional supply-side support, including production capacity enhancement of producers, market information development, and marketing support.

In addition, as part of citizen participation programs, JICA provides fair trade-related information through JICA centers in Japan, PR magazines, its website, etc. to the society to increase awareness of fair trade.

2-2-3 Development Strategic Goal 3: Improvement of systems for investment promotion

Mid-term Objective 3-1 Improvement of investment policies and systems

Sub-target 3-1-1 Formulation and implementation of investment promotion policies

Sub-target 3-1-2 Simplification of investment procedures

Mid-term Objective 3-2 Strengthening of investment promotion functions

Sub-target 3-2-1 Strengthening of capacities and systems for investment promotion

The third pillar of issue patterns is the “improvement of systems for investment promotion.” As mentioned above, what is defined as investment promotion is mainly foreign direct investment promotion with the main aim to transfer foreign capital, create employment by introducing foreign capital and technology, introduce know-how and technology, expand trade and achieve economic development. The Development Strategic Goal 3 deals with improvement of investment policies and systems and strengthening of administrative investment promotion capacity, which are necessary to promote such foreign direct investment (FDI).

Main motives for a company to implement FDI are (1) sales on local markets (motive to enter markets), (2) low-cost production (motive to pursue production efficiency), and (3) acquisition of natural resources (motive to obtain natural resources), etc.,²⁹ and companies make foreign investment in the markets that provide such motives. And as mentioned above in the first pillar, the main premise of investment promotion is to improve the investment climate for private companies to conduct business fairly and freely, and for the improvement, it is effective to complement and support the development of investment policies and systems and the strengthening of investment promotion functions in order to back up investment by foreign companies.

Mid-term Objective 3-1 Improvement of investment policies and systems

(1) Sub-target 3-1-1 Formulation and implementation of investment promotion policies

Foreign direct investment enhances industrial competitiveness of developing countries by transferring capital, technology and management know-how, but it may expose domestic industries to competition with foreign companies, so each country

²⁹ International Economics by Urata, Ogawa and Sawada, Yuhikaku (2011)

needs to develop investment policies consistent with its development planning, industrial promotion policies, trade promotion policies, etc.

In general, an investment law (including a foreign investment law) as a basis of investment policies and schemes and relevant regulations provides definition of foreign investment, investment procedures, investment incentives, etc., and investors of each country go through all kinds of investment procedures based on the investment law and other relevant laws (companies law as an example). (Investment procedures will be explained in detail later in the “Sub-target 3-1-2 Simplification of investment procedures.”) Typical investment preferential treatments (incentives) under such foreign investment law include customs and tax exemption, simplification of customs clearance procedures, and use of bonded warehouses and foreign companies can enjoy benefits of these preferential policies for investment if they make an investment in accordance with the investment law.

Meanwhile, in order to avoid adverse effects of investment liberalization on existing domestic industries, many countries have specified sectors that they are eager to attract (positive list³⁰) and sectors that they restrict for the time being (negative list) under the investment law. The governments provide preferential treatment to foreign investment in the sectors included in the positive list, but as for the sectors listed in the negative list, the governments sometimes restrain investment by foreign companies, require the establishment of joint-venture companies with local companies, or request for permits individually from investment-related government agencies.

An effective approach in developing and implementing investment policies is to hear from existing and potential investors on their challenges that they face through investment dialogues with investors and make efforts to resolve the issues. But, not only the investment law that provides investment activities by foreign investors but also policies and measures by ministries and agencies related to business become investment disruptive factors in many cases, so it is necessary to make efforts to improve the investment environment together with relevant ministries and agencies. As a matter of fact, however, if host governments require foreign companies to reinvest earnings in the countries, transfer technology to local companies on favorable conditions, and make performance requirement such as local procurement in order to protect domestic key industries, develop domestic supporting industries and protect foreign currency, it is sometimes difficult to deregulate such measures regulating investment activities

³⁰ Some countries have prepared and announced positive lists that include industries in which investment can be made, because a lot of industries have been regulated.

because they are closely related to politics and industrial promotion policies of the governments. Even if problems are institutionally remedied, both delay in implementation and arbitrary operation occur in some cases, so it is important to aim to resolve problems both in institutionalization and enforcement.

Unlike multilateral international trade rules specified by the WTO Agreement, there is no multilateral international agreement related to foreign direct investment³¹, but expansion of foreign direct investment has increased the number of bilateral investment agreements concluded all over the world since the 1990s: 2,833 agreements concluded as of the end of 2011^{32/33}. The aim of investment agreements is to promote investment by protecting both companies that have invested in overseas countries and their investment assets, improving transparency of regulations and taking other similar measures. If any problem occurs in relation to the investment environment, international arbitration proceedings can be used and fair dispute settlement means can be used even for disputes with countries where judicial systems are underdeveloped. Bilateral investment agreements can be classified into “investment protection agreements” and “investment protection and liberalization agreements”; while the former “investment protection agreements” request the most-favored-nation treatment and national treatment not inferior to treatment given to third countries and local companies after investment as well as prohibition of performance requirement for specific measures related to investment activities (prohibition of performance requirement), the latter “investment protection and liberalization agreements” request national treatment, the most-favored-nation treatment and prohibition of performance requirement even before investment, which are incorporated in the Investment Chapter as part of EPA/FTA.

The Organization for Economic Co-operation and Development (OECD) launched the “Policy Framework for Investment (PFI)”³⁴ in 2006 with the aim of promoting private investment to support stable economic growth and sustainable development, in order to contribute to prosperity of developing countries and people and support poverty reduction, although the framework is not an international investment rule. PFI provides a check list of important policy issues to be examined to governments that want to promote investment by creating attractive investment environment for investors and the

³¹ Some investment agreements provided by WTO’s TRIMs and GATS are excluded.

³² http://www.meti.go.jp/policy/trade_policy/epa/investment.html

³³ “2013 Report on Compliance by Major Trading Partners with Trade Agreements -WTO, FTA/EPAs, BITs-” by the Ministry of Economy, Trade and Industry (2013) (Available at:

http://www.meti.go.jp/committee/summary/0004532/2013_houkoku.html)

³⁴ <http://www.oecd.org/investment/pfi.htm>

list can be used at each governmental level as part of a policy-making tool. PFI consists of 82 question items in 10 policy areas and has been used by developing countries as a comprehensive investment policy tool. PFI has been used not only for self-diagnosis and investment policy reviews by governments but also for support by JICA (for example, Zambia Investment Promotion Project - Triangle of Hope - (ZIPP-TOH), implemented from 2009 to 2012).

In addition, Doing Business report³⁵ officially released as a result of study every year since 2003 by IFC / World Bank Group is used as a reference to understand the investment climate that is an important decision-making factor in investment, though it is not a direct indicator of foreign investment. Doing Business compares and ranks countries all over the world by using 10 set of indicators and presents overall ranking by averaging ranking determined by each indicator, in order to objectively clarify to a certain extent the level of environmental appropriateness for business development mainly for local small and medium-scale enterprises in each country. Indicators used for comparison are laws and regulations and licensing procedures that each company faces in conducting business, such as the number of administrative procedures, the number of necessary documents, the number of days, and financial cost required for starting a business, dealing with construction permit, getting electricity, etc. However, Doing Business compares the level of easiness for companies to conduct local business; it does not think primarily of foreign companies trying to make local investment and does not consider investment preferential treatment to foreign companies. Therefore, it is necessary to pay attention to the fact that these indicators do not necessarily show the superiority or inferiority of investment policies and schemes and that they do not include all issues and cooperation targets of investment promotion.

[Table 1] Scope of PFI policies³⁶

Investment Policy	Investment Promotion and Facilitation
Trade Policy	Competition
Tax Policy	Corporate Governance
Enabling Responsible Business Conduct	Developing Human Resources
Investment in Infrastructure	Financing Investment
Public Governance	Investment Framework for Green Growth

³⁵ <http://www.doingbusiness.org/>

³⁶ PFI has been revised in 2015 and currently consists of question items in 12 policy areas as shown on the Table 1.

[Table 2] List of indicators of Doing Business³⁷

Starting a Business	Dealing with Construction Permits
Getting Electricity	Registering Property
Paying Taxes	Trading across Borders
Getting Credit	Protecting Minority Investors
Enforcing Contract	Resolving Insolvency
Labor Market Regulation	

In Japan, the following 26 items of the “New Issues and Requests for Improvements on Trade and Investment Barriers” by the Japan Business Council for Trade and Investment Facilitation³⁸ can be used as a reference to understand issues that Japanese companies face when making an investment in foreign countries. The Council submits issues classified by country and by item to the Japanese government and makes an appeal for intergovernmental discussions on the issues; it is also effective to make use of such survey results when analyzing issues and examining cooperation in each country’s investment area.

[Table 3] Twenty-six items of the “New Issues and Requests for Improvements on Trade and Investment Barriers” by the Japan Business Council for Trade and Investment Facilitation

Foreign currency entry regulations	Request for domestic production and local procurement ratio and benefits	Request for export
Drawback regulations	Regulations on policies for the parts industry	Dwindling preferential treatment to foreign investment
Operational procedures of the Foreign Investment Act	Problems with investment acceptance organizations	Import and export regulations, tariffs and customs regulations
Activity regulations in free-trade zones and special economic zones	Profit withdrawal	Exchange management
Financing	Tax system	Price regulations
Employment	Operation of the intellectual property system	Request for technology transfer
Industrial standard and	Monopoly	Land ownership restraints

³⁷ Indicator of Doing Business has been revised in 2015 as shown on the Table 2.

³⁸ The Japan Business Council for Trade and Investment Facilitation (<http://www.jmcti.org/mondai/top.html>) has been established since 1997 as a consultation body that consists of Japanese private industry groups with the aim to examine all kinds of problems with international trade and foreign direct investment that Japanese companies face in conducting overseas business activities, summarize opinions and request the Japanese government and foreign governments to improve the current status; it now consists of approximately 130 trade groups from a wide range of industries.

standard safety certification		
Environmental problem/Waste treatment problem	All kinds of systems, practices and inefficient administrative procedures	Undeveloped legal systems and sudden changes
Government procurement	Others	—

[Support approaches]

i. Investment dialogues

The Japanese Embassies in foreign countries play a central role in having investment dialogues between the public and private sectors in cooperation with public bodies such as JICA and JETRO, and private Japanese chamber of commerce and industry, conducting dialogues to analyze and improve investment climate with higher level staff of the foreign governments and business community, and determining bottlenecks impeding investment into the host countries and resolving problems.

For example, in Vietnam, as then Vietnamese Prime Minister Khai and Japanese Prime Minister Koizumi agreed to the establishment of the “Japan-Vietnam Joint Initiative to Improve Business Environment with a View to Strengthen Vietnam’s Competitiveness” in 2003, activities by the two countries to improve the Vietnamese investment environment started in December 2003. Based on the results of issues on the Vietnamese investment environment summarized and examined by the Japan Business Association in Vietnam (JBAV) from the viewpoint of private companies, the embassy made up an action plan, discussed it with relevant Vietnamese ministries, and developed an action plan to which the two parties agreed. The Vietnamese government is responsible for improving issues included in the action plan, but if it is difficult for the government to improve them, JICA may provide support.

JICA actively participates in discussions on the framework of the initiative and an Advisor for Foreign Direct Investment dispatched by JICA to the Ministry of Planning and Investment actively contributes to activities to improve the investment environment by Japan and Vietnam, by playing a coordinating role between the two countries to implement the initiative. In addition, JICA supported activities across areas, such as improvement in tax administration and customs procedures, intellectual property protection, industrial human resource development, and infrastructure development, so that the Vietnamese government might implement activities in line with the action plan.

ii. Advisory opinion for investment promotion policies and measures (investment

promotion advisors, etc.)

In order to improve investment policies and schemes, JICA gives advisory services on the improvement of investment legal systems by dispatching investment advisors, implementing technical cooperation projects, and taking other similar measures. The basic and traditional mission of investment promotion advisors is to give advice on overall investment policies, improvement in investment systems, development of measures to promote foreign direct investment, etc., to ministries and agencies related to investment in foreign countries, based on the premise that they give appropriate advice from the standpoint of partner governments. However, in recent years, an increasing number of countries request advisors to give advice especially for attracting Japanese companies, and they often serve as a sort of Japan Desk as mentioned later.

iii. Development policy loans

Development policy loans are also called “policy and institutional support loans,” under which governments of developing countries determine “policy actions” to reform and improve policies and systems in all kinds of areas including improvement in investment environment, improvement in fiscal administration and poverty reduction, and loans are provided after good results are produced. In the eighth development policy yen loans to Indonesia (signed on January 13, 2013), JICA developed policy actions related to trade and investment policies. Specifically, the policy actions include the development of follow-up guidelines on transfer pricing taxation proposed by JICA based on requests from Japanese companies, the publication of revised standard operating procedures for petition of objection against tax payment, the strengthening of a system to promote discussions between the public and private sectors in relation to trade and investment, the official announcement of all trade acts on the “National Single Window Website,” etc. In addition, in the “development policy support loans (investment environment improvement)” to the Philippines (signed on October 10, 2012), JICA determined policy actions, such as improvement in tax refund procedures, facilitation of customs procedures, implementation of F/S by using F/S funds, and trial implementation of a technological vocational training program in secondary education, etc., which cover the following three areas: enhancement of industrial competitiveness, infrastructure development and employment promotion.

[Points to keep in mind in implementing projects]

Although requests from developing countries for the dispatch of investment promotion advisors have been increasing in recent years, different professional knowledge is required for “giving advice on overall investment policies” and “investment promotion” (just like the Sub-target 3-2-1). As for the former role, Japanese administrative officers (from the Ministry of Economy, Trade and Industry, etc.) are main human resources as experts under the title of investment policy advisors or investment promotion policy advisors. With regard to the latter role, former trading company employees with business experience in investment promotion and similar business persons can be candidates for human resources under the title of investment development/promotion advisors. It is not necessarily easy, in both cases, to secure human resources with expertise that meets the needs of partner countries, and it is necessary to pay attention to this fact in developing and adopting projects. Moreover, in the latter case, it is necessary to find out the needs of partner countries carefully because dispatched experts are positioned differently in the governments of developing countries, like investment promotion organizations independent from the central government ministries and agencies.

Furthermore, as mentioned above, it is necessary to recognize the necessity of taking an approach to a wide range of areas in order to improve the investment environment and providing individualized support to priority items in some cases when the dispatch of investment experts is not effective to promote investment.

(2) Sub-target 3-1-2 Simplification of investment procedures

In developing countries, procedures necessary for companies to conduct business are often complicated and non-transparent, impeding not only the acceptance of foreign investment but also the operation of local companies in many cases, so it is important to facilitate procedures necessary for investing companies as well as develop policies and systems to attract investment by governments. When foreign companies make an investment, they need to make a registration (file an application) to investment-related government agencies based on investment law, and go through various procedures based on relevant laws, such as company registration, work permits, land ownership, plant construction, securing of employment of local human resources, bank account opening, and insurance contracts. If companies want to invest in any business that requires licenses from relevant authorized institutions, they need to report to ministries, agencies and institutions that hold jurisdiction over the business, and if they conduct import and

export business, they also need to go through import and export procedures³⁹.

Each procedure is left to the discretion of each ministry and agency and it is considered to be one of the reasons for a non-transparent and time-consuming process. In improving these investment procedures, it is effective not only to improve individual procedures but also to provide one-stop services. One-stop services are provided under a system where one institution/center can give all services on administrative affairs and consultations that are necessary to make an investment, from investment examination to investment license procedures and operation/sales support (after-sales care) after investment, such as provision of information necessary for investment, investment consultation, investment application, licenses, company registration, site location, and application for incentives, and usually IPA has the function. Details of one-stop services are different, depending on authorities of individual organizations, but in fact, few organizations are in charge of all procedures from investment examination to licenses and after care; for example, many organizations are in charge of investment consultation, investment information provision, submission for investment application and investment approval. Licenses from quite a large number of relevant ministries and agencies are necessary in the process from application for license to determination of location and start of operation, so a great effect can be expected if functions of investment-related ministries and agencies can be consolidated in one place.

[Support approaches]

In order to make investment procedures transparent and shorten time for investment procedures, JICA supports capacity building to back up the improvement of individual procedures and the establishment and operation of one-stop services by dispatching experts or implementing technical cooperation projects. By providing one-stop services, administrative procedures across sectors and organizations are accepted at one window to simplify procedures, shorten procedural time and alleviate the burden of investors in terms of investment license procedures, and the alleviation of non-transparent service fees collected anywhere and everywhere can also be expected.

[Points to keep in mind in implementing projects]

It is ideal that one-stop services are provided by one investment promotion organization, but in fact, situations are different as shown in the following cases (Table

³⁹ Websites of ASEAN-Japan Centre and JETRO can be used as a reference to know procedures necessary for investment. (Example: procedures and necessary documents for the establishment of a foreign company in Myanmar (Available at: http://www.jetro.go.jp/jfile/country/mm/invest_09/pdfs/010013100309_008_BUP_0.pdf))

4) because authorities differ in each country. For example, in Indonesia, partly because the IPA is under the control of the Office of the President, the agency has a strong authority to provide various services across sectors and it has succeeded in simplifying procedures, shortening procedural time, reducing procedural fees, etc.

On the other hand, there are two authorized window organizations in Thailand: OSSC (One Stop Service Center) holding jurisdiction over visa acquisition and OSOS (One Start One Stop Investment Center) supporting and holding jurisdiction over the provision of general investment information, licenses and business start-ups. Therefore, the government provides a very convenient function for investors by locating the two organizations in one building in order to simplify and accelerate procedures.

In order to make it possible to provide various one-stop services, it is necessary to collaborate with investment-related ministries and agencies. In simplifying specific investment procedures, there are various cases to provide one-stop services, such as the provision of one-stop services by an organization to which authority and licensing power are handed over from other organizations and the realization of one-stop services by physically integrating and consolidating branches of investment license ministries and agencies into one place, but especially in the former case, the hurdle to provide one-stop services is high partly due to the necessity of changing legal systems and it is often difficult to realize the services if the cooperation period is short.

When cooperating to realize one-stop services, it is necessary to implement a project by fully examining the scope of authority and adjustment capacity of counterpart agencies and what kind of simplification to achieve.

[Table 4] One-stop service cases

Country	Investment promotion agency / implementing agency	Services provided (institution in charge)
Malaysia	MIDA (Malaysian Investment Development Authority)	Implementation of the following licensing activities: <ul style="list-style-type: none"> - Manufacturing license (MIDA) - All kinds of preferential treatment (MIDA and the Ministry of Agriculture and Agro-based Industry) - Tax deduction, tax exemption, etc. (Taxation Bureau and the Ministry of Finance) - Incorporation (Company Commission of Malaysia and Securities Commission Malaysia) - Company registration (Company Commission of Malaysia)
Thailand	OSSC (One Stop Service Center)	Issuance of visas and work permits
	OSOS (One Start One Stop Investment Center)	Branch offices of investment organizations of the government have been established to apply for individual organizations at one place, and support for gathering all kinds of investment information can be provided. Specific supports are as follows: corporate register, application for investment encouragement preferential treatment, foreign company licenses, environment impact assessment, use of utilities, etc., excluding those under the jurisdiction of OSSC. [Relevant ministries and agencies] Office of the Board of Investment, the Ministry of Commerce, the Ministry of Finance, the Ministry of Energy, the Ministry of Industry, the Ministry of Interior, the Ministry of Labour, the Ministry of Natural Resources and Environment, the Ministry of Public Health, the Ministry of Transport, and the Ministry of Tourism and Sports
Indonesia	Indonesia Investment Coordinating Board (BKPM or Badan Koordinasi Penanaman Modal) one-door integrated services	Jurisdiction over the following process from application for the provision of domestic and foreign investment licenses to issue of licenses <ol style="list-style-type: none"> a. Investment register b. Basic investment permission c. Basic permission for investment expansion d. Basic permission for investment change e. Business license, business expansion license, investment-company merger license, and business change license: commerce, agriculture, fishery, stock farming, forestry, industry, tourism, mining, transportation, information and communications, labor affairs, education, services, public project services, etc. f. Location permission g. Permission for the appointment for land use (IPPT) h. Urban spatial program (KRK)/Building placement program (RTLb) i. Building permission (IMB)/IPB/KMB j. Permission (UUG/HO) under the Hindrance Act k. Corporate registry certificate (TDP) by the Ministry of Trade l. Other permissions required for investment m. Manufacturer and importer certification number (API-P) n. Foreign worker employment plan (RPTKA) o. Provisional resident visa recommendation (TA 01) p. Work permits for foreigners (IMTA) q. Regional incentive r. Information and complaint-handling services

Mid-term Objective 3-2 Strengthening of investment promotion functions

(1) Sub-target 3-2-1 Strengthening of capacities and systems for investment promotion

As investment promotion and implementation agencies or implementation sectors, investment promotion agencies (IPA⁴⁰) represent countries to promote investment by providing potential investors with all kinds of services, such as investment information dissemination, investment consultation and support for license procedures, as well as implementing after care when companies start to operate after being attracted, providing interface among investment-related ministries and agencies, and advocating policies. An IPA is positioned differently in each country, as a department of a government ministry/agency, an affiliated agency of a ministry or an agency, a governmental independent organization or an integrated development organization with other functions such as trade promotion. Regardless of its position, it generally implements the following tasks.

- Implementation and improvement of all kinds of investment-related procedures
- Response to investment consultations
- Development and dissemination of information (investment-related acts, systems, market information, investment environment information on the status of infrastructure development and other issues, consolidation of investment promotion priority sector information across relevant ministries and agencies)
- Implementation of investment promotion campaigns, public relations of investment opportunities, dispatch and acceptance of investment missions, and preparation of investment handbooks
- Development and consolidation of investment opportunities and support to promote linkages between foreign direct investment and domestic companies
- Policy dialogues between governments and investment companies
- Monitoring of activities by investment companies, understanding of the actual status, after care, coordination among relevant ministries and agencies, feedback to

⁴⁰ According to PFI Users' Toolkit (<http://www.oecd.org/investment/toolkit/>) by OECD, IPA's functions are globally classified into the following four points.

1. Advocacy within government to seek necessary approvals or urge the removal of obstacles to investment;
2. Image building to promote the country as an investment destination;
3. Investor servicing or facilitation to help solve problems faced by existing or potential investors; and
4. Targeting or investment generation by actively seeking out investors based on national development plans or other criteria

relevant ministries and agencies, and policy proposals

In order to promote investment, it is also necessary to provide potential investors with information on business opportunities and business environment, increase investors' interest in the investment host countries and give information necessary for making investment decisions. However, in many developing countries, highly reliable information on domestic industries, such as industrial statistics, has not been fully developed and above all, it is not fully understood what kind of information development is necessary for investment promotion and what is the trend in domestic and overseas markets. As a result, necessary information is not provided in many cases.

[Support approaches]

In order to fully demonstrate the function of IPAs, they should be operated under clear strategies and to their staff in charge of operations should be fully aware of investment procedures, especially legal systems of the countries, and it is desirable that they have broad knowledge on practical investment matters. JICA has been supporting strengthening of IPAs' systems mainly by dispatching investment promotion advisors (individual experts). In recent years, JICA has been increasingly using schemes such as Technical Cooperation Projects and Technical Cooperation for Development Planning. Specific investment promotion functions to be strengthened are as follows.

i. Examination of investment promotion strategies

In implementing specific investment promotion activities, it is desirable to examine regions, countries and industry sectors that attract investment in particular based on their potential and make up effective and efficient strategies and activity plans. To achieve this goal, it is effective to support IPAs' survey and analysis activities on domestic and neighboring countries' investment trend and investors' needs and thinkings as well as the development of investment promotion strategies and plans.

ii. Operation of investment websites, preparation of investment guidebooks, dispatch of investment missions and holding of investment seminars and workshops

In order to attract investment from foreign countries, it is necessary not only to disclose necessary information on websites to potential investors based on the above-mentioned strategies and plans but also to timely provide such information through various ways, such as investment guidebooks, investment seminars and

workshops, investment missions, and individual consultation meetings. In order to provide such information, it is important to both strengthen IPAs' capacity to make up and operate plans and support the creation of appropriate information feedback systems on potential investors, investment needs and investment disruptive factors obtained through activities.

In line with the increase of entry of foreign companies into host countries, investors get more interested in information for specific local business operation than information on general investment environments, so it is necessary to disseminate different level of information in response to the entry of foreign companies into the host countries. In addition, in order to provide detailed information, it is effective to improve the library function of IPAs and other organizations and develop and provide a wide range of information, such as investment law, all kinds of laws and statistics related to corporate activities, and statements by governmental agencies.

iii. Establishment of country desks (Japan Desk)

An IPA in each country sometimes has a country desk with investment advisors stationed to provide support exclusively for investors of a particular country in order to efficiently promote investment from the country. With a focus on Asia, JICA also provides information and advice to Japanese companies together with IPAs and dispatches investment advisors as long-term or short-term experts to transfer technology to IPAs. There is an advantage for the host country to understand the viewpoints and needs of Japanese companies and gain advice for the improvement of investment environments based on them.

[Table 5] Investment-related organizations in ASEAN and other countries

Country	Ministry holding jurisdiction	Implementing agency	One-stop service	JICA cooperation in the past
Indonesia	Office of President	BKPM (Indonesia Investment Coordinating Board or Badan Koordinasi Penanaman Modal)	○	Individual Expert Development Survey
Malaysia	Ministry of International Trade & Industry	MIDA (Malaysian Investment Development Authority)	○	×
Philippines	Department of Trade and Industry	BOI (Board of Investments) and PEZA (Philippine Economic Zone Authority)	○	Individual Expert

Singapore	Ministry of Trade and Industry	EDB (Economic Development Board)	○	×
Brunei	The Prime Minister's Office	BEDB (Economic Development Board) and MIPR (Ministry of Industry and Primary Resources)	○	×
Thailand	Ministry of Industry	BOI (The Board of Investment, Thailand)	○	Individual Expert
Cambodia	Under the direct control of Prime Minister	CDC (Council for the Development of Cambodia) and CIB (Cambodian Investment Board)	○	Individual Expert Development Survey Technical professional
Laos	Ministry of Planning and Investment	Investment Promotion Department and Committee for Investment and Cooperation (central cities and rural areas)	○	○
Vietnam	Ministry of Planning and Investment	Foreign Investment Agency and Investment Promotion Centre (north area, central area and south area)	○	Individual Expert Technical professional
Myanmar	Ministry of National Planning and Economic Development	MIC (Myanmar Investment Commission) DICA (Directorate of Investment and Company Administration)	○	○
India	Ministry of Commerce and Industry	Foreign Investment Promotion Board (review on individual cases) and Reserve Bank of India (automatic authorization)	×	×
Ethiopia	Ministry of Trade & Industry	EIA (Ethiopia Investment Agency)	×	○
Kenya	Under the direct control of President	KIA (Kenya Investment Authority)	○	×
Zambia	Ministry of Commerce, Trade and Industry	ZDA (Zambia Development Agency)	○	Technical professional
Mozambique	Ministry of Planning and Development	CPI (Investment Promotion Centre)	○	Individual Expert
Senegal	Under the direct control of President	APIX (Investment Promotion and Major Projects)	○	Individual Expert

[Points to keep in mind in implementing projects]

The function and system to promote investment into developing countries are, as

mentioned above, strengthened by implementing specific and practical investment promotion activities in line with advice from experts. Therefore, mainly in Southeast Asia, etc., visible results are sometimes produced, such as realization of specific foreign direct investment by Japanese companies, etc. On the other hand, in attracting investment, not only investment promotion activities but also investment environments including market attractiveness of the target countries, quality of local labor capacity, all kinds of legal systems, and security issues, etc. (items of the Mid-term objective 3-1) are major determining factors, and it is necessary to keep in mind that such visible results cannot be produced soon especially in regions and countries in which Japanese companies are not interested in so much.

In addition to visible results during the cooperation period, it goes without saying that it is important to continue to strengthen the function and system for investment promotion, and it is also important to place emphasis on technology transfer factors, such as strengthening of counterparts' capacity and organizational operation improvement. In recent years, technology transfers and policy proposals based on Technical Cooperation Projects and Technical Cooperation for Development Planning have been increasing; specifically, JICA has been providing support through the "Foreign Investment Environment Development Project" in Vietnam, the "Project on Enhancing the Investment-related Service of Council for the Development of Cambodia (CDC)," and the "Zambia Investment Promotion Project-Triangle of Hope (ZIPP-ToH)." And cases of cooperation based on Technical Cooperation for Development Planning (former development study) include the "Study on Improvement of Investment Policy" in the Republic of Indonesia and the "Study on the Institutional Strengthening of Investment Promotion" in Cambodia.

[Column] Investment promotion support by JICA in Zambia

As cooperation in this area in Zambia, JICA implemented two technical cooperation projects, that is, the "South-South-Cooperation Investment Promotion Environment Development Project" (from July 2006 to March 2009) and the "Zambia Investment Promotion Project-Triangle of Hope (ZIPP-ToH)" as its successor project (from August 2009 to August 2012) and a development study, that is, the "Master Plan Development Study on Establishment of Multi-Facility-Economic-Zone (MFEZ)" (from January 2007 to March 2009) as part of investment environment development. The characteristic of these series of cooperation is implementation based on the concept of using Malaysian knowledge through which good investment results have been recently produced in addition to traditional cooperation including transfer of Japanese knowledge and experience. For

implementing the technical cooperation projects, JICA conducted comprehensive activities to improve the investment environment of the country by dispatching, as investment promotion expert, the former Deputy CEO of MIDA (Malaysian Industrial Development Agency, now Malaysian Investment Development Authority) who supported industrial growth in the Mahathir government in Malaysia, making comprehensive policy proposals on investment promotion, so-called TOH: Triangle of Hope, to governmental officials led by the President and strengthening the power of the Zambia Development Agency (ZDA), which is an investment promotion agency to support the implementation. And in developing MFEZs, JICA similarly dispatched a Malaysian consultant in charge of F/S from the Kulim Hi-tech Park⁴¹ in Malaysia.

As a result of this, the Zambian government decided to implement ToH as a national policy to improve investment environment. In addition, through these activities, each ministry has started to put emphasis on investment promotion policies even in the ministries and agencies that were not related to investment promotion in the past, such as the Ministry of Health and the Ministry of Education, involved in investment promotion policies, and foreign investment has increased in sectors, such as education and medical care, which were not targets of private investment in the past. Also, as a result of developing information to investors and implementing improvement activities within the agency to improve ZDA's services, domestic and foreign companies and industrial associations evaluate that ZDA's services and Zambian investment policies have been improving in recent years.

As a matter of fact, Zambia was ranked seventh in the world in the World Reform Ranking (in terms of outstanding progress in reform) of the 2011 version of Doing Business Report by the World Bank/IFC. The Malaysian government did not directly participate in this South-South cooperation, but this case has been widely introduced at international meetings of OECD and WTO as one of successful cases of South-South cooperation to stimulate economic growth in Africa by making use of experience in Asia. In order to meet a wide range of needs of developing countries, South-South cooperation that uses knowledge of not only Japan but also Asian countries is effective, and for this purpose, it is necessary to build networks and collaborate with Asian countries.

ToH: Triangle of Hope

ToH is a concept proposed by the Malaysian expert that organic collaboration among three Hopes of politicians, administrators and private companies, which consist of (1) Political Will, (2) Civil Service Efficiency, and (3) Private Sector Dynamism, is indispensable and that each party needs to

⁴¹ The Kulim Hi-tech Park is an industrial park developed in 1990 based on an F/S by JICA, and has grown to be one of the largest high-tech industrial parks in Southeast Asia.

transform attitude and thought about economic development. Under the President's leadership, the Zambian government created a framework to embody the "(1) Political Will," established a public-private task force in charge of improving legal systems related to the important 12 areas (*) of the nation to realize "(2) Civil Service Efficiency," and dispatched a public-private investment promotion survey mission to Malaysia, Thailand and India in order to back up "(3) Private Sector Dynamism" and JICA monitored and gave technical advisory opinions to appropriately implement these activities.

(*1 Twelve areas that consist of agriculture, cotton, air-cargo hubs, education, health, information and communications technology, Multi Facility Economic Zones, promotion of small and medium enterprises, finance, government streamlining, mining, and tourism)

Chapter 3 Direction of JICA's Cooperation in the Area of Trade and Investment Promotion

3-1 Basic concept

(1) JICA's vision

JICA's vision is "Inclusive and Dynamic Development," in accordance with which JICA supports developing countries so that they may broadly enjoy benefits from economic globalization and dynamic changes in the area of trade and investment. On that occasion, JICA actively uses viewpoints and experience of Japan as an industrial and trading nation. Based on the socioeconomic situations of developing countries, JICA supports them so that each of them may soundly develop in the international trade and investment framework, such as WTO and FTA/EPA.

(2) JICA's cooperation policy and contents

Private companies are the main players of trade and investment. Therefore, JICA supports the improvement of business environments, policies and systems that allow private companies to soundly and smoothly conduct trade and investment activities. JICA also supports developing countries to create supporting system for strengthening competitiveness, based on the recognition of the importance of strengthening the international market competitiveness of industries and companies that play key roles in trade and investment. Furthermore, based on the recognition that trade and investment promotion brings about positive impacts, such as economic growth, creation of employment opportunities and poverty reduction, but that negative impacts may be caused in developing countries with underdeveloped industries by the disappearance of industries and companies together with increasing unemployment due to the inflow of cheap foreign products and the inflow of counterfeit products as well as products with quality and/or safety problems, JICA holds the aim that developing countries can enjoy positive impacts on trade and investment at a maximum, and at the same time, it also aims to minimize negative impacts caused by trade and investment promotion. When providing cooperation in this way, it is extremely important for Japan, where natural resources are scarce, to build mutually beneficial trade and investment relations with foreign countries including developing countries, and JICA develops cooperation activities to promote and contribute to such relation-building.

(3) Cross-issue and cross-business cooperation

In order to promote trade and investment in developing countries, it is necessary not only to support areas directly related to issues and support approaches to promote trade and investment, as mentioned in Chapter 2, but also to collaborate with relevant areas. It is necessary to pay attention to a wide range of relevant areas including education because industrial human resources have not been fully developed due to lack of basic social services, such as healthcare and education in developing countries.

Moreover, it is very important not only to have cross-area viewpoints but also to use JICA's three schemes, that is, technical cooperation, grant aid cooperation and loan aid cooperation, in a mutually complementary form in order to increase support effects. For example, in Cambodia, JICA supported for remuneration the construction of the Sihanoukville Special Economic Zone (SEZ) next to Port Sihanoukville, the country's only international port, and provided support to facilitate logistics for companies including Japanese companies. At the same time, JICA dispatched experts for SEZ marketing and operation and technology transfer on merchandising, SEZ operation and its management. Since 2007, JICA has also been dispatching "investment environment improvement advisors" to the Cambodia Investment Board of the Council for the Development as the investment window organization to provide information to companies that examine entry into the country. In addition, JICA has been improving the power to provide information and services to investors by implementing the "Project on Enhancing the Investment-Related Service of Council for the Development of Cambodia" (from 2011 to 2013) and comprehensively supporting investment promotion in the country by using multiple schemes.

3-2 Points to keep in mind by region

In providing cooperation in the area of trade and investment promotion, it is necessary to analyze impeding factors for trade and investment promotion in each country, such as the stage of economic development and social situations in each country or region, geographic location and relations with neighboring countries, and take an approach appropriate to each country or region. Points to keep in mind by region are as follows.

(1) Asia

Toward the creation of the ASEAN Community in 2015, economic, sociocultural,

political and security integration has been advanced in the ASEAN region; at the same time when the Community is created, intraregional tariffs within the ASEAN member countries are scheduled to be reduced to zero in principle, and it is expected that intraregional trade and investment will increase more and more. The stage of economic development in each ASEAN country is different and a development gap exists between the more developing ASEAN countries (Indonesia, Malaysia, Philippines, Singapore, Thailand and Brunei) and the less developing ASEAN countries (Vietnam, Laos, Myanmar and Cambodia). Many Japanese companies have already entered the more developing ASEAN region and the trend is expected to continue, but investment into the less developing ASEAN countries has been drawing attention in recent years due to rising labor costs in China and the more developing ASEAN countries. Moreover, in the ASEAN region, many Japanese companies focus on the strengthening of production networks and infrastructure development by using the Southern Economic Corridor and the East-West Economic Corridor (JETRO 2012a⁴²).

Under the circumstances where intraregional trade and investment are increasing due to ASEAN integration, JICA puts emphasis on cooperation related to trade for the promotion and development of EPA, intellectual property and strengthening of mutual recognition, etc., in order to deepen economic relations between Japan and the ASEAN region. JICA cooperates with the less developing ASEAN countries mainly in the improvement of business environments that contribute to trade and investment in order to expand linkage with the Japanese economy, by paying attention not to widen economic disparities due to ASEAN integration.

An increasing number of Japanese companies are implementing or examining business expansion in the South Asian region including India and Bangladesh with remarkable economic growth because of high market potential in the future (JETRO 2012b)⁴³, and it is desirable that JICA backs up such a movement in the area of trade and investment promotion and provides support for the benefits of both Japanese companies and partner countries. For this purpose, it is important to dispatch trade/investment advisors, provide support to improve procedures related to import, export and investment and continue to examine the feasibility of PPP.

Landlocked countries in Central Asia have negative factors to attract foreign investment, such as relatively small populations, underdeveloped infrastructure,

⁴² JETRO (2012a) Survey on Business Needs and Strategies in the Mekong Sub-region 2012, officially announced in October 2012 (Available at: <http://www.jetro.go.jp/world/asia/th/reports/07001117>)

⁴³ JETRO (2012b) Status Survey on Activities of Japanese Companies Operating in Asia and Oceania (survey in 2012) released in December 2012 (Available at: <http://www.jetro.go.jp/news/releases/20121218029-news>)

political uncertainty, and security problems in some regions. In Central Asia, international agencies including the Asian Development Bank, etc., play a main role in providing support to develop infrastructure and simplify administrative procedures through the “Central Asia Regional Economic Cooperation (CAREC) Program,” and JICA needs to support in line with these activities and develop industrial human resources to improve quality and productivity and develop internationally competitive private economic entities.

(2) Latin America

Latin American countries are steadily advancing economic partnerships with developed countries including the North American economic zone and Japan, etc., and Japanese companies are also strengthening business in this area in consideration of growth of the North American market and local markets. In particular, with entry by Japanese automobile assembly manufacturers, Japanese companies are newly expanding business in Mexico and an increasing number of companies are considering Brazil as a promising business development destination in consideration of the future growth potential of the local market (JBIC 2012)⁴⁴. When JICA provides support, it is desirable to focus on countries that are economically closely linked to Japan in consideration of the existence of economic partnership agreements with Japan and the entry status of Japanese companies and to provide support that are mutually beneficial to both partner countries and Japan. In particular, it is necessary to develop supporting industries as local partners of foreign companies including Japanese-affiliated companies making inroads into the local markets and create an environment in which foreign companies can secure high-quality human resources in local employment.

(3) Africa

In recent years, trade and investment in Africa have been successfully expanding, and in particular, foreign direct investment into Africa has been smoothly expanding since 2000 and reached a record for four consecutive years starting from 2005. Affected by the global economic crisis, foreign direct investment has been decreasing since 2009, but it expanded to approximately 43 billion dollars in 2010 from approximately 10 billion dollars in 2000, which is a great increase in the past 10 years. On the other hand, investment has been concentrated on specific resource-producing

⁴⁴ JBIC (2012) Research Report on Overseas Business Operations by Japanese Manufacturers—Results of Fiscal 2012 Survey on Overseas Direct Investment (the 24th survey report), officially announced in December 2012 (Available at: <http://www.jbic.go.jp/ja/about/press/2012/1207-02/index.html>)

countries including South Africa, Nigeria and North African countries, etc., and the top 10 countries account for 80% of the total investment amount.⁴⁵

Direct investment into Africa by Japanese companies also increased from 1.2 billion dollars (stock-basis) at the end of 2002 to 8.1 billion dollars at the end of 2011, and it is expected that Japanese companies will expand business in Africa in consideration of future potential of the African market. Although performance by Japanese companies that are engaged in African business has been improving for five consecutive years on the background of favorable macroeconomic growth in Africa, Japanese companies are still facing management problems in conducting business in Africa, such as “political and social stability,” “development and operation of laws and regulations,” “employment and labor,” and “infrastructure development,” and JICA is expected to play a role in building relevant systems, giving improvement guidance and disseminating information in order to cope with these problems (JETRO (2012c)⁴⁶).

In the area of trade and investment promotion, JICA has been providing support for the development of industrial development policies, broad-area transportation infrastructure including road maintenance that makes it possible to smoothly move across national boundaries, and the introduction of the “One Stop Border Post (OSBP)” that coordinates and simplifies national boundary procedures among countries. Because Japanese companies are expanding business in Africa and because requests from African countries to provide support for the attraction of Japanese companies are increasing, JICA will continue to provide support for the improvement of business environment where foreign companies including Japanese companies can smoothly and actively make an investment as well as the strengthening of investment promotion function, with a focus on countries with investment potential. It is also important to support activities to strengthen competitiveness of local companies in consideration of developing internationally competitive companies that can be partners of foreign companies⁴⁷. In Africa where each country’s market size is relatively small and there are many landlocked countries, it is important to expand the market through regional integration and support for the effective function of the framework of the Regional Economic Communities (RECs) is also important.

(4) Middle East

⁴⁵ UNCTAD (2011) World Investment Report 2011

⁴⁶ JETRO (2012c) Survey on Business Conditions of Japanese-Affiliated Firms in Africa (survey in 2012), officially announced in January 2013 (Available at: <http://www.jetro.go.jp/news/releases/20130123295-news>)

⁴⁷ As for specific guidelines for direct support to private companies, please refer to issue-wise guidelines for the area of promotion of small-scale enterprises.

In recent years, major political changes have frequently occurred in Middle East region at the root of which there is an unemployment problem of young people in particular. In order to create employment, it is necessary not only to attract foreign investment by developing investment environment but also to develop industries with high employment creation power. In improving investment and business environment in Middle East region, JICA provides focused support and supports the development of industries with high employment creation power in consideration of creating an export market in the future, based on the fact that there are a lot of trade and investment from areas other than Japan.

3-3 Future issues to be examined

3-3-1 Development of support by using Japanese and Asian experience

Since the end of World War II, Japan has achieved so-called miraculous economic growth as a trading nation and has contributed to development in Asian countries by promoting Japanese companies' entry into the region, improving business environment and supporting soft and hard infrastructure through ODA. Asian countries have also accepted foreign direct investment from foreign countries including Japan and have achieved economic growth. Many African countries are interested in applying the development experience of Japan and Asian countries to African region. For example, former Prime Minister Meles Zenawi of Ethiopia got interested in the industrial development of Japan and Asia by participating in the Tokyo International Conference on African Development (TICAD IV) in 2008 and requested the Japanese government to provide support to propose industrial development strategies and develop private companies.

What is anticipated in the future is an increasing demand for support by applying and developing in Africa and other regions the accumulated results of trade and investment promotion support by Japan in Asian countries. As a matter of fact, in recent years, an increasing number of "third country trainings" have been implemented in Asian countries and more and more "third country experts" have been dispatched from Asian countries. As for Zambia, ex-Deputy CEO of the Malaysian Industrial Development Agency who supported industrial growth under Mahathir administration in Malaysia was dispatched as an expert to Zambia and he implemented a cooperation project to promote investment. It will be necessary to build networks and implement collaboration projects in order to promote cooperation by using knowledge of not only Japan but also Asian countries.

3-3-2 Promotion of partnership with the private sector

From the viewpoint that it is indispensable to strengthen partnership with Japanese private companies as development cooperation partners in addition to conventional support by public agencies for the development of developing countries, JICA is collaborating with companies by using private-sector support tools, such as consultations with private companies that are interested in contributing to the development of developing countries, Preparatory Survey (BOP Business Promotion), infrastructure projects based on the “Public-Private Partnership (PPP),” and private sector investment finance.

In recent years, from the viewpoint of not only poverty reduction and economic development in developing countries but also ODA-based Japanese economic revitalization and contribution to reconstruction from the earthquake, policy emphasis has been put on the provision of win-win support to back up overseas business development by Japanese companies. In particular, because an increasing number of small-scale enterprises mainly engaged in the manufacturing industry are promoting overseas operations with the aim of transferring production bases and expanding sales channels, the Survey on SME Partnership Promotion (F/S) and projects to support SMEs in overseas business development have been implemented since 2012 in order to both activate small and medium enterprises and promote socioeconomic development in developing countries.

Even if some countries achieved economic growth to a certain extent by attracting foreign investment, they have later fallen into growth stagnation because they failed to shift to an advanced industrial structure, which is drawing attention as a “middle-income trap,” and the importance of not only attracting foreign investment but also developing local industries for further economic development is recognized again. In consideration of these circumstances, JICA has started to provide support for the creation of a global value chain by local companies in cooperation with manufacturers making roads into the markets⁴⁸ in addition to backing up overseas business development by Japanese companies, and the creation of the global value chain is expected to be one of the effective cooperation approach in the future.

In the Japanese communities in overseas countries, the ODA task forces that consist of the Japanese Embassies and affiliated institutions including JICA and JETRO, etc., have created expanded ODA task forces by adding locally operating Japanese-affiliated

⁴⁸ “Automotive Human Resource Development Project for Supporting Industries” in Thailand, the “Project for Automotive Supply Chain Development in Mexico”, etc.

private companies and chambers of commerce and industry, and in some countries there are some systems to hear opinions from the Japanese private sector. Thus, partnership of Japanese public-private have been implemented for economic development cooperation in host countries.

[Column] JICA's activity for BOP business

With the progress of globalization, companies of developed countries are expanding entry into developing countries and private investment capital flowing from developed countries to developing countries account for approximately 70%. Japanese companies have been exporting products mainly to the markets of developed countries like Europe and the US or have been manufacturing and selling products in the local markets, but they have gradually started to put emphasis on the markets of developing countries due to dull growth in the markets of developed countries like Europe and the US and market expansion brought about by economic growth in developing countries.

Under these circumstances, BOP business is drawing increasing attention because it aims to contribute to poverty reduction by targeting poor people who were ignored in developing countries (Base (or Bottom) of the Pyramid (BOP)) as consumers in the market, providing necessary products at cheaper prices, and getting the poor involved in the business process. BOP business is expected as a new activity to both promote investment into developing companies and reduce poverty at the same time, and companies are actively conducting BOP business as a part of Corporate Social Responsibility (CSR) and social contribution activities or as new business opportunities.

In order to support these activities by Japanese companies, JICA has been conducting "preparatory surveys (BOP business collaboration promotion)" since 2010 based on public selection of proposals from the private sector in order to promote the development of business models contributing to resolving development problems that BOP-class people have and support Japanese companies to expand business areas to BOP-class in developing countries and acquire new markets.

Appendix 1. Major Projects of JICA for Cooperation in Trade and Investment Promotion

Development Strategic Goal 1 Improvement of business environment

Mid-term Objective 1-1 Improvement of related policies/systems

Sub-target 1-1-1 Formulation of industry promotion policies and master plans (M/Ps)

Country name	Case name	Cooperation period	Co-operative scheme
Indonesia	Industrial Sector Promotion and Development Planning (Supporting Industries) and Follow-Up Study	1996–2000	Development study/TC for Development Planning (Commission)
	Advisor for International Cooperation in Industrial Sector	1998–2014	Individual expert
	Comprehensive SME Promotion Policy Proposal	2000	Individual expert
	The Program for Economic Policy Support for the Republic of Indonesia	2002–2005	Development study/TC for Development Planning (Commission)
	Development Policy Advisor in Trade Sector	2005–2010	Individual expert
	Development Policy Loan	2009–2013	Loan aid
Malaysia	Industrial Sector Promotion Development Planning and Study (Supporting Industries)	1993–1995	Development study/TC for Development Planning (Commission)
Philippines	Industrial Sector Promotion Planning and Study	1991–1992	Development study/TC for Development Planning (Commission)
Thailand	Industrial Sector Promotion Development Planning and Study (Supporting Industries)	1993–1994	Development study/TC for Development Planning (Commission)

Cambodia	Industrial Policy Development Support	200912– 201113	Basic information collection and confirmation study
Laos	Economic Policy Support Economic Policy/Investment Promotion Advisor	2003–2004 2011–2013	Technical cooperation project Individual expert
Vietnam	Development Policy Study for Support for the Transition to a Market Economy	Phase 1 1995–1996 Phase 2 1996–1998 Phase 3 1999–2001	Development study/TC for Development Planning (Commission)
Bhutan	Growth Diagnostic Analysis (Industrial Promotion)	2011	Paid expert
Sri Lanka	Industrial Sector Development Promotion Planning and Study Industrial Promotion and Investment Promotion Planning and Study (Phase 1)	1991–1993 1998–1999 1999–2000	Development study/TC for Development Planning (Commission)
Palau	Economic Policy Advisor	2003–2006	Individual expert
Paraguay	Planning and Study for Support for the Transition to a Market Economy	1997–2000	Development study/TC for Development Planning (Commission)
Jordan	Support for the Formulation of Key Policies and Industrial Policies	1998–2001	Individual expert
Oman	Master Plan for Industrial Development	2009–2010	Development study/TC for Development Planning (Commission)

Botswana	Industrial Policy Advisor	2010–2012	Individual expert
Ethiopia	Survey on Industrial Policy Dialogue Project	Phase 1 2009–2011 Phase 2 2011–2015	Project study
Kenya	Master Plan Study for Kenyan Industrial Development Industrial Development Master Plan Implementation Promotion Expert	2006–2007 2009	Development study/TC for Development Planning (Commission) Individual expert Development study-based technical cooperation
Namibia	Advisor on SME and Entrepreneurship Development and Promotion in Republic of Namibia	2010–2012	Individual expert
Uganda	Economic Policy Advisor	2006–2007	Individual expert
Tanzania	Industrial Policy Advisor	2008–2015	Individual expert
Bulgaria	Industrial Policies (Support for the Formulation of Key Policies)	1999–2002	
Uzbekistan	Support for the Transition to a Market Economy	1996–2000	Individual expert
Poland	Industrial Policies (Key Policies)	1996–2000	Individual expert

Sub-target 1-1-2 Improvement of industrial base systems

Country name	Case name	Cooperation period	Co-operative scheme
Indonesia	Industrial Property Rights Administration	Phase 1 2005–2007 Phase 2 2007–2010	Technical cooperation project

	The Study on Intellectual Property Rights Administration through Utilization of Information and Communication Technology in the Republic of Indonesia	2005–2007	Development study/Development study for TC for Development Planning (Commission)
	Project for Strengthening Intellectual Property Rights Protection	2011–2015	Technical cooperation project
	Development of Legal Metrology Systems	2005–2007	Development study/Development study for TC for Development Planning (Commission)
	Manufacturing Industry Fundamental Technology and Driver Sector Development (Electrical and Electronic Equipment)	2010–2012	Individual expert Technical cooperation project
Malaysia	National Metrology Laboratory (NML) Technical Cooperation Project	1981–1985	Technical cooperation project
	SIRIM Metrology Center (Phase 2)	1996–2000	Technical cooperation project
	Capacity Building on Product Test on IEC335 & IEC598 in Malaysia	1999–2002	Technical cooperation project
	The Study on Enhancement of Intellectual Property Rights Administration Capacity through Utilization of Information Technology in Malaysia	2002–2004	Development study/TC for Development Planning (Commission)
	Human Resource Development in the Intellectual Property Rights' Administration of MyIPO	2007–2010	Technical cooperation project
Philippines	Industrial standardization/electric testing technologies and electric/electronic testing (Representative examples of cases in this sector in the 1990s or around 2000 and the case names are to be checked.)	1993–1997	Technical cooperation project
	Modernization of Industrial Property Administration	1999–2003	Technical cooperation project

		2004–2006	Follow-up
Thailand	Planning for Industrial Standardization and the Building of an Industrial Metrological Test Center	1988–1990	Grant aid cooperation
	Industry Standardization Research Center	1989–1994	Technical cooperation project
		2000–2001	Follow-up
	Industrial Property Information Center	1995–2000	
	The Project on Technical Strengthening of National Institute of Metrology	Phase 1 2002–2004 Phase 2 2004–2008	Technical cooperation project
National Metrology System Development Project	1999, 2000	Loan aid	
Vietnam	Modernization of IP information system in Viet Nam	2004–2008	Technical cooperation project
	Project for Strengthening the Enforcement of Intellectual Property Rights in Viet Nam	2012–2015	Project with a loan
	Project on Strengthening the System and Operation on Standards and Conformance	2009–2013	Technical cooperation project
	Industrial Standardization, Metrology, Inspection and Quality Control Master Plan Study	1997–1998	Development study/Development study for TC for Development Planning (Commission)
	Modernization of Industrial Property Administration Project	2000–2003	Technical cooperation project
South Korea	Reinforcement of Equipment for Scientific Research and Metrological Standard Research	1985	Loan aid
Sri Lanka	Planning for the Development of Equipment for the Industrial Standardization Research Laboratory	1995–1996	Grant aid cooperation
Saudi Arabia	Planning for Strengthening Standardization Organizations (Consumer Protection)	1996–1997	Development study/TC for Development Planning (Commission)

Mid-term Objective 1-2 Infrastructure development

Sub-target 1-2-1 Improvement of economic infrastructure ⇒ Refer to the Thematic Guidelines for transportation

Sub-target 1-2-2 Development of special economic zones and industrial parks

Country name	Case name	Cooperation period	Co-operative scheme
Indonesia	Construction of Makassar Industrial Estate	1976	Development study/TC for Development Planning (Commission)
	Construction of Makassar Industrial Estate	1978, 1980	Loan aid
	SEZ Development Master Plan Survey in Indonesia	2010–2012	Project with a loan
Philippines	Bataan Export Processing Zone Construction Project	1975, 1984	Loan aid
	Leyte Industrial Park Port Development Project	1981	Loan aid
	Cavite Export Processing Zone Development and Investment Promotion Program in the Republic of the Philippines	1989–1990	Development study/TC for Development Planning (Commission)
	Cavite Export Processing Zone Development Project	1991	Loan aid
Thailand	Development Project of Laem Chabang Coastal Area	1983–1984	Development study/TC for Development Planning (Commission)
	Map Ta Phut Industrial Estate Construction Project	1985	Loan aid
	Laem Chabang Industrial Estate Construction Project	1985, 1987	Loan aid
	Bang Saphan Industrial Estate Development Planning	1995–1996	Development study/TC for Development Planning (Commission)
Cambodia	Study on Regional Development for the Phnom Penh–Sihanoukville ⁴⁹ Growth Corridor	2001–2003	Development study/TC for Development Planning (Commission)

⁴⁹ Previously, “Sihanoukville” had been spelled in Japanese in two different ways, but is now spelled in one way.

	Sihanoukville Port Special Economic Zone Development Planning	2006, 2008	Loan aid
	Expert on Marketing and Operation in the Sihanoukville Port Special Economic Zone	2011–2012	Expert (Loan aid)
Laos	Savannakhet Special Economic Zone Development Planning	1999–2000	Development study/TC for Development Planning (Commission)
	Special Economic Zone Development Promotion Support	2012–2013	Paid expert
Vietnam	Hanoi Industrial Development Planning and Study	1993–1995	Development study/TC for Development Planning (Commission)
	Thang Long Industrial Park Construction and Operation Project	1999	Loan aid (Overseas investment/money-lending)
	Project on Environment-Friendly Industrial Parks in Long An Province	2013	Loan aid (Overseas investment/money-lending)
Myanmar	Advisor for Policies on Special Economic Zone Development	2012	Paid expert
China	Dalian Industrial Park Development	1992, 1993	Loan aid (Overseas investment/money-lending)
India	Master Plan for Industrial Park Construction Planning	1992–1993	Development study/TC for Development Planning (Commission)
	Industrial Park Construction (F/S)	1994–1995	
Sri Lanka	Industrial Park Development Project	1994	Loan aid
Zambia	Master Plan Development Study on Establishment of Multi-Facility-Economic-Zone (MFEZ)	2007–2009	Development study/TC for Development Planning (Commission)

Development Strategic Goal 2 Improvement of systems for trade promotion

Mid-term Objective 2-1 Reduction of trade obstacles

Sub-target 2-1-1 Reduction of tariff and non-tariff barriers

Country name	Case name	Cooperation period	Co-operative scheme
Indonesia Malaysia Philippines Thailand	The Capacity Building Program on the Implementation of the WTO Agreements in APEC Area	2001–2004	Development study/Development study for TC for Development Planning (Commission)
Indonesia	The strengthening of the Utilization of Indonesia-Japan Economic Partnership Agreement (IJEPA)	2001–2014	Technical cooperation project
East Timor	Advisor on Trade and Commerce	2010–2011	Individual expert
Paraguay	Measure the impact of the CIT (Common External Tariff) in the Investment Promotion regimens of Paraguay	2005–2008	Technical cooperation project
African region	WTO Related Project Study	2005	Project study

Sub-target 2-1-2 Facilitation of trade procedures

Country name	Case name	Cooperation period	Co-operative scheme
Indonesia	The Study on Trade Related Systems and Procedures in the Republic of Indonesia	2004–2005	Development study/TC for Development Planning (Commission)
	Project for Administration Improvement of Trade Related Regulations, Systems and Procedures	201006–2008 13	Technical cooperation project
	Project on Capacity Development for Trade-related Administration	2010–2013	Technical cooperation project
Malaysia	Policy Adviser to Director-General of Customs on Trade facilitation	2011–2015	Individual expert
Philippines	Long-Term Expert for the Enhancement of Customs Operations and Risk Management	2011–2014	Expert (Loan aid)

Thailand	Development Study for Building Export Management Systems	2007–2008	Development study/TC for Development Planning (Commission)
	Project for Enhancing the Transparency and Predictability of Tariff Classification and Customs Valuation	2012–2015	Technical cooperation project
Vietnam	Project for promoting E-customs in Vietnam	2012–2015	Technical cooperation project
	The Project for E-Customs and National Single Window for Customs Modernization	2012–2015	Grant aid cooperation
Kenya Uganda Tanzania Burundi Rwanda	Project for Capacity Building for the Customs Administrations of the Eastern African Region (* Started cooperation in Rwanda and Burundi from Phase 2)	Phase 1 2007–2009 Phase 2 2009–2013	Project with a loan
Burkina Faso	Advisor custom policies for better processing of commercial exchange within UEMOA	2012–2014	Individual expert

Mid-term Objective 2-2 Strengthening of international competitiveness

Sub-target 2-2-1 Improvement of access to foreign markets ⇒ Refer to the Thematic Guidelines for SME promotion

Country name	Case name	Cooperation period	Co-operative scheme
Indonesia	Indonesia Expert Training Center (IETC) Construction Plan	1987–1989	Grant aid cooperation
	Indonesia Expert Training Center Project	19882002–2006 1993 1994–1995 (F/U project)	Technical cooperation project
	Indonesia Export Training Center Personnel Training Plan Project	1997–2001	Technical cooperation project
	Regional Export Training and Promotion Center (RETPC) Project	2002–2006	Technical cooperation

			project
	Project for Enforcing the Functions of Export Promotion Organizations	2007–2008	Development study/Development study for TC for Development Planning (Commission)
	Project on Service Improvement of NAFED	2010–2015	Technical cooperation project
Malaysia	Malaysia External Trade Development Corporation (MATRADE) Project	1994–1999	Technical cooperation project
Philippines	Trade Training Center Construction Plan	1987–1992	Grant aid cooperation
	Trade Training Center	1987–1992	Technical cooperation project
Thailand	Trade Training Center Construction Plan	1982–1983	Grant aid cooperation
Laos	Project on Support to Trade Promotion	2009–2012	Technical cooperation project
Myanmar	Study for Supporting Building of Trading Business Skills	2012–2013	Development study/TC for Development Planning (Commission)
Bangladesh	The Study on Potential Subsector Growth for Export Diversification	2006–2008	Development study/TC for Development Planning (Commission)
Pakistan	Trade Policy Advisor	2009–2010 2012–2014	Individual expert
The Dominican	Project for Reinforcement of the Training Center for Development of Foreign Trade and Investment of the	2008–2011	Technical cooperation

Republic	Dominican Republic		project
Egypt	Foreign Trade Training Center (FTTC) Project	Phase 1 2002–2004 Phase 2 2005–2008 Phase 3 2009–2011	Technical cooperation project Individual expert
	The Egyptian Export Promotion Center (EEPC)	2006–2010	Technical cooperation project
Kenya	Trade Training Programme for Small and Medium Enterprises (SME) Exporters	Phase 1 2007–2010 Phase 2 2010–2012	Technical cooperation project

Sub-target 2-2-2 Strengthening of companies' capacities for management and production ⇒ Refer to the Thematic Guidelines (SME promotion)

Development Strategic Goal 3 Improvement of systems for investment promotion

Mid-term Objective 3-1 Improvement of investment policies/systems

Sub-target 3-1-1 Formulation and implementation of investment promotion policies

Country name	Case name	Cooperation period	Co-operative scheme
Indonesia	The Study on Improvement of Investment Policy in the Republic of Indonesia	2006–2007	Development study/Technical project for development study for TC for Development Planning (Commission)
Cambodia	Investment Promotion Advisor	2007– 2009/2009	Paid expert
	Advisor for Improvement of Investment Environment	2009–2011	Paid expert
	Advisor for Improvement of Investment Environment	2011–2012	Paid expert

	Advisor for Improvement of Investment Environment	2013–2015	Paid expert
Vietnam	Advisor for Foreign Direct Investment	2004–2010 2010–2014	Individual expert
	Strengthening of FDI promotion	2007–2010	Technical cooperation project
Mongolia	Trade and Investment Policy Advisor	2007–2010	Individual expert
Bangladesh	Investment Climate Improvement	2012–2014	Individual expert
Pakistan	Investment Climate Improvement	2010–2013	Individual expert
Zambia	Project for Developing Investment Promotion Environments Through South-South Cooperation	2006–2009	Technical cooperation project
	Zambia Investment Promotion Project-Triangle of Hope (ZIPP-ToH)	2009–2012	Technical cooperation project

Mid-term Objective 3-2 Strengthening of investment promotion functions

Sub-target 3-2-1 Strengthening of capacities and systems for investment promotion

Country name	Case name	Cooperation period	Co-operative scheme
Indonesia	Investment Promotion Policies	2004–2007	Individual expert
	Investment Promotion Policy Advisor	2007–2011	Individual expert
	Investment Promotion Policy Advisor	2011–2013	Paid expert
Philippines	Investment Promotion and Export Industrialization	2005–2007	Individual expert
	Advisor for Agribusiness Investment	2007–2009	Individual expert
	Investment Promotion	2008–2009	Individual expert
	Investment Advisor	2009–2011	Individual expert
	Investment Promotion Advisor	2011–2013	Individual expert (loan aid)
Cambodia	Cambodia Development Council Increased Investment-related Services Project Study on the Institutional Strengthening of Investment Promotion	2010–2013 2009–2010	Project with a loan Development study/Development study for TC for Development

			Planning (Commission)
	Cambodia Development Council Increased Investment-related Services Project	2010–2013	Project with a loan
Laos	Advisor on Investment Promotion	2007–2008	Individual expert
	Advisor on Investment Promotion	2009–2011	Individual expert
Mongolia	Capacity Development for Promoting Foreign Direct Investment	2010–2013	Technical cooperation project
	Foreign Trade Investment Environment Development	2010	Technical cooperation project
India	Advisor on Infrastructure Development and Investment Promotion	2012–2014	Individual expert
Papua New Guinea	Business Investment and Export Promotion Advisor	2009–2010	Individual expert
The Dominican Republic	Project for Reinforcement of the Training Center for Development of Foreign Trade and Investment of the Dominican Republic	2008–2011	Technical cooperation project
Mozambique	Investment Promotion Advisor	2012–2013	Individual expert (loan aid)
Senegal	Advisor for the definition of a strategy to attract Japanese investment	2011–2013	Individual expert
Serbia	Investment Promotion	2007	Individual expert
Macedonia	Project for Improvement of Investment Promotion Capacity	2008–2009	Technical cooperation project

Appendix 2. Case Studies of JICA's Cooperation in Trade and Investment Promotion

Development Strategic Goal 1 Improvement of Business Environment

Mid-term Objective 1-1 Improvement of related policies and systems

Sub-target 1-1-1 Formulation of industrial promotion policies and master plans (M/Ps)

[Case study on cooperation 1] Comprehensive SME Promotion Policy Proposal for Indonesia (so-called Urata Report)

In November 1999, Indonesian President Abdurrahman Wahid requested Japan to send a high-level advisor on SME policies, and Mr. Shujiro Urata, a professor of Waseda University, in response to this request, was appointed as the SME promotion policy advisor to Coordinating Minister for Economics Kwik Kian Gie. Professor Urata and his support team drew up a policy proposal, and in July 2000, they proposed comprehensive SME policies for Minister Kwik Kian Gie and reported that to President Wahid.

Background of this cooperation project: (1) It was essential for the country, immediately after the economic crisis, to strengthen the economic basis and to realize sustainable growth in order to recover from the crisis, (2) while home-grown conglomerates and large foreign companies were impacted significantly by the economic crisis, export-oriented SMEs that use domestic resources showed growth due to the weak rupiah, and (3) higher priority was given to SMEs in order to create employment, obtain foreign currencies, and promote decentralization.

Details of the proposal: The proposal consists of financial aspects, non-financial aspects, and administration aspects.

- 1) Non-financial aspects: measures to cope with issues facing individual companies (establishment of SME training center, SME management consultant ("Shindan") project, mobile consultation program, introduction of one-stop services, design promotion, etc.), measures to cope with issues related to linkage between companies (promotion of supporting industries and creation of dynamic clusters), and support for export promotion (marketing, improvement of export financing, simpler administrative procedures, and support for SMEs in local areas)
- 2) Financial aspects: development of a credit guarantee system, restructuring of the public financing system and establishment of special financial institutions for SMEs, improvement of micro-financing, development of equity finance, and capacity building of SMEs.
- 3) Administration aspects: improved coordination between measures to promote SMEs, capacity enhancement of local administration, and monitoring of measures and strengthening of evaluation activities

Projects launched subsequently: Based on this proposal, a lot of projects, including development studies (SME Policy Support and Human Resource Development, enhancement of SME Cluster Development, etc.), technical cooperation projects (Project on Supporting Industries Development in Casting Technology, Human Resource Development in Trade Sector Project, Project on Regional Export

Promotion and Training Center, SME Human Resource Development Project, etc.), and long-term dispatch of experts (for promoting SME policies, supporting SME human resource development, improving the operations of Bank Ekspor Indonesia (BEI), promoting local industries, etc.), were launched.

In the “Evaluation Report for Indonesia” issued by the Ministry of Foreign Affairs of Japan in 2007, this cooperation project is evaluated as follows:

“It is difficult to measure the direct effects of the proposal made by the Urata Mission on SME promotion in Indonesia. However, it can be considered that this proposal had indirect effects by improving or making more efficient the SME policies in the country and cooperating with other donors in supporting SMEs. The proposal made by the Urata Mission has been incorporated into the SME policies of the country and is also highly evaluated by other donors. The Urata Mission, as part of which discussions with relevant government agencies were held and on-site inspections were conducted in Indonesia, and discussions and seminars were held with the World Bank, the ADB, aid agencies from Europe and the U.S., and concerned people of NGOs, contributed to the building of consensus on SME policies in the country. Following the Urata Mission, Japan has come to serve as a leading donor in the working group for fostering SMEs, which is part of the Consultative Group for Indonesia (CGI) working group. Currently, Japan’s support for SMEs in Indonesia is based on the framework of the Urata Proposal.”

[Case study on cooperation 2] Dispatch of an SME Promotion Policy Advisor for Thailand (The Mizutani Plan)

1. Background, etc.

In and after the 1990s, Thailand, in order to further promote export and enhance the industrial structure, has been working for industrial promotion, focusing on SMEs, who are the major players, and especially on the promotion of supporting industries of the electric and electronic industry and the auto industry. While the Thai government has making further efforts toward SME promotion as exemplified by the development of the “Outline of Measures for SME Promotion” in 1998, the JICA, with the aim to support these efforts, sent a policy advisor (expert of the JICA) to the Minister of Finance and the Minister of Industry of Thailand for the period of January to June 1999 upon the country’s request. In addition to the dispatch of the expert, the JICA supported following up the industrial sector promotion and development planning (supporting industries).

As a result of this support, the JICA made policy proposals related to the planning of general SME policies and financial policies for SMEs in July 1999. Mr. Mizutani, former Director-General of the Consumer Goods Industries Bureau, the Ministry of International Trade and Industry, was sent as the expert of the JICA, and thus, this proposal is called the “Mizutani Plan.”

2. Details of the proposal

The proposal made in the Mizutani Plan consists mainly of the development of system frameworks and specific support measures, including the introduction of a business consultant system, strengthening of financial systems (establishment of special financial institutions, etc.), support for improving SMEs' technical and management skills, personnel training, and improvement of business environments for SMEs.

3. Results and utilization of cooperation

In 2000, the Thai government, based on this proposal (Mizutani Plan), enacted the Small and Medium Enterprise Promotion Act and developed the SME Promotion Master Plan (guidelines for the promotion of SMEs in the manufacturing industry). They established the Office of Small and Medium Enterprise Promotion in 2001, and established the SME Development Bank and increased funding to credit guarantee companies in 2002. Thus, this proposal played an important role in developing the system frameworks for SME promotion.

4. Support for realizing the proposal

In realizing the “Mizutani Plan,” the Japanese government has been offering various kinds of support in the financial sector (financial cooperation for policy-based financial institutions and dispatch of experts), the management and technology sector (a project for fostering SME management consultants, etc.), etc. with the cooperation of many Japanese organizations such as the JICA, the JETRO, and the JBIC.

5. In 2008, the Ministry of Economy, Trade and Industry launched the “Study on the Diversification of the Means by which SMEs in Thailand Procure Capital” focusing especially on financial support, in order to “follow up the Mizutani Plan.” According to this study, the framework of financial systems for supporting SMEs in the country has already been established, but there is still room for further expansion.

* For the case study of policy dialogues in Ethiopia, refer to the column in pages 47 and 48 of this document.

Sub-target 1-1-2 Improvement of industrial base systems

[Case study on cooperation 3] Project for Strengthening Intellectual Property Rights Protection in Indonesia

Since 1994, the JICA has been offering the Directorate General of Intellectual Property Rights (DGIPR) of Indonesia support for improving the administration of industrial property rights through the development of legal systems, capacity building of DGIPR staff involved in examinations, etc., modernization of their office functions, promotion of public awareness related to protection of intellectual property, etc.

The “Project for Strengthening Intellectual Property Rights Protection,” a 4-year project started in 2011, is based on three pillars. The first is to strengthen the control of courts, the customs, the police, and other organizations related to intellectual property rights over products infringing intellectual property rights at the border or in the market. In order to strengthen control over such products and build and

operate effective legal systems related to market control, efforts have been made to enhance cooperation among relevant organizations. In addition, to address judges' and police's lack of knowledge of intellectual property, which is a cause of inadequate enforcement or control, capacity enhancement of individual organizations has been promoted. The second is to enhance examination skills by improving the operation of the legal system in order to address the accumulation of pending applications due to delay in examination procedures for applications filed or the erroneous registration of what is originally not a right and should be rejected by examiners. The third is to promote utilization of intellectual properties in universities. Universities are a key strongpoint that produces intellectual properties in Indonesia, and efforts have been made to promote intellectual property right management in universities and cooperation among industry, government and academia for commercialization of intellectual properties.



[Case study on cooperation 4] Manufacturing Industry Fundamental Technology and Driver Sector Development (Electrical and Electronic Equipment) in Indonesia

Indonesia requested Japan for cooperation in the electric and electronic industry, which is ranked as a top-priority industry sector in the country's national industrial development policy. In response to this, the JICA implemented the project named "Manufacturing Industry Fundamental Technology and Driver Sector Development (Electrical and Electronic Equipment)" for testing bodies and certification bodies (six organizations in total) for the period of June 2010 to March 2012.

Indonesia, which suffered only small economic damage from the Lehman Shock of 2008, has seen stable economic growth led by private consumption. The development of the manufacturing industry including supporting industries is essential for sustaining this economic growth. In order to make the manufacturing industry grow greatly, it is important to supply products that meet the domestic demand in Indonesia, but it is critically important to increase export to foreign countries. However, when electric product manufacturing companies in Indonesia export their products, they, in principle, have to have their

products tested and certified based on the standards of the destination countries, and the test and certification costs make it difficult to increase export. Thus, in this cooperation project, cooperation was offered in order to enable testing bodies and certification bodies in Indonesia to test and qualify electric and electronic products according to international standards based on the IEC certification system (CB scheme).

As a result, the BPMBEI and the LSPro PPMB, which are a testing body and a certification body, respectively, in the electric and electronic product sector of Indonesia, were certified as a testing body and certification body, respectively, for fluorescent lamps with a built-in ballast (note 1) and primary batteries (note 2) based on the system of the International Electrotechnical Commission (IEC). This is expected to significantly reduce time and cost required for exporting fluorescent lamps with a built-in ballast and primary batteries and thus contribute to the development of the electronic and electric industry in Indonesia.

The existence of the international-level testing and certification bodies is expected to promote the entry of foreign companies and thus to contribute to the development of the electric and electronic industry and will benefit consumers in Indonesia by enhancing the safety of electric and electronic products.

Note 1: Fluorescent lamp containing a ballast to start lamp discharge to light the lamp and stabilize discharge

Note 2: Non-rechargeable, disposable dry battery



Mid-term Objective 1-2 Infrastructure development

Sub-target 1-2-1 Improvement of economic infrastructure

Sub-target 1-2-2 Development of special economic zones and industrial parks

* For the case study of development of a SEZ in Sihanoukville, Cambodia, refer to the column in page 64 of this document.

Development Strategic Goal 2 Improvement of systems for trade promotion

Mid-term Objective 2-1 Reduction of trade obstacles

Sub-target 2-1-1 Reduction of tariffs and non-tariff barriers

[Case study on cooperation 5] The strengthening of the Utilization of Indonesia-Japan Economic Partnership Agreement (IJEPA)

The Indonesia-Japan Economic Partnership Agreement (IJEPA), which entered into force on July 1, 2008, is intended to promote free and smooth trade of goods and services, facilitate people-to-people exchanges, and develop investment rules and intellectual property-related systems in order to strengthen mutual cooperation in a wide range of economic activities.

The systems developed under this agreement are expected to further promote trade and economic relations between the two countries, and the IJEPA is expected to have positive effects on the Indonesian economy because the Japan-Indonesia trade structure is based on the mutually complementary relationship. The IJEPA is the first bilateral free-trade agreement of Indonesia, and thus, it is also necessary to promote understanding of its economic effects and utilization of the systems developed toward the onset of these effects.

The JICA has been carrying out a technical cooperation project intended to study examples of utilization of the IJEPA Preferential Tariff system using certificates of origin (COO) in Indonesia and the resulting economic effects, to facilitate utilization of this system by domestic companies in the country, and to train personnel for proper operation of this system (July 2011 to July 2014).

In this project, various activities are carried out including: (1) study and analysis on examples of utilization of the IJEPA Preferential Tariff system using COOs in Indonesia and the resulting economic effects, (2) facilitation of utilization of this system by domestic companies in the country, and (3) personnel training for government-affiliated agencies for proper operation of this system. For example, the Project experts visits, together with local government officers, companies using IJEPA-COOs to study how they are used and provide them with information for resolving issues or problems identified. This information is widely shared and used in seminars held in other local areas.

The Project also sends Japanese customs officers as short-term experts, who offer seminars for Indonesia's local government officers involved in issuance of IJEPA-COOs and help them improve their operations by showing some specific problems as examples or points to be aware of. Through these activities, the Project trains personnel in order that companies in the both countries can use this system without problems.

[Case study on cooperation 6] The Capacity Building Program on the Implementation of the WTO Agreements in APEC Area

This program—based on the Strategic APEC Plan, which was proposed on the initiative of the Japanese government and approved in the APEC ministerial meeting held in November 2000—is the

first, large-scale WTO-related cooperation project for the JICA. This project was carried out for four APEC member countries or Thailand, Indonesia, Malaysia, and the Philippines in order to aim to enhance the ability to fulfill obligations and rights stipulated in the WTO Agreements. Specific activities carried out in this project include building WTO-related information sharing systems in the WTO responsible government offices for developing organization systems, holding seminars and workshops on major agreements for knowledge transfer, and developing proposals for capacity building in the future.

Outline of the Capacity Building Program on the Implementation of the WTO Agreements

Purpose: To carry out the following activities in order to enhance the ability to fulfill the WTO Agreements and the ability to participate in multilateral free trade:

- (1) WTO-related policy makers and working-level officials offer advice for reinforcing the knowledge necessary to fulfill the WTO Agreements and carry out technology transfer activities.
- (2) Offer relevant government agencies policy proposals for enhancing the capacity to fulfill the WTO Agreements.

Sub-target 2-1-2 Facilitation of trade procedures

[Case study on cooperation 7] Project for Capacity Building for the Customs Administrations of the Eastern African Region (Phase 2)

Recently, in the countries of the sub-Saharan region, intraregional trade has been promoted, and accordingly, distribution channels from the coastal countries to inland countries have been developed. In the East African Community (Kenya, Tanzania, Uganda, Rwanda, and Burundi), a customs union and common market have been established, and it is expected that economic development in the region will be promoted through increased movement of people, goods, and capital. In order to further promote intraregional trade, however, it is essential to develop and enhance a wide-range economic corridor in the region and to facilitate procedures for cross-border movement.

In the period of 2007 to 2009, the JICA carried out phase 1 of the Project on Capacity Building for Customs Officers in Eastern Africa. In phase 1, JICA, with the aim to realize speedy and efficient customs clearance procedures in this region, assisted the revenue agencies of Kenya, Tanzania, and Uganda in operating the One-Stop Border Post (OSBP) and also offered them assistance for capacity enhancement for customs officers. In phase 2, which was started in 2009, JICA has scaled up its efforts by including Rwanda and Burundi and supporting capacity enhancement for customs clearing agents as well.

In phase 2, the Project has been working to develop systems that continuously and developmentally build the capacity of customs officers and customs clearing agents by training instructors in the three core procedures for customs officers (customs valuation, HS classification, and information analysis) as well as to support development of procedures and operation and management systems for the introduction of

the OSBP in Namanga located at the border between Kenya and Tanzania, and strengthen border patrol to prevent smuggling.

In Namanga, the “Arusha-Namanga-Athi River Road Development Project,” a yen-loan-financed project financed jointly by the African Development Bank and the JICA, has also been carried out, where OSBP facilities are being constructed in the border. Thus, JICA has been assisting these countries in developing the structural and non-structural systems for the OSBP.

Mid-term Objective 2-2 Strengthening of international competitiveness

Sub-target 2-2-1 Improvement of access to foreign markets

* For details about JICA’s comprehensive efforts to promote trade in Indonesia, refer to the column in pages 60 and 61 of this document.

Sub-target 2-2-2 Strengthening of companies’ capacities for management and production

* For details about business training activities by Japan Center projects, refer to the column in pages 76 and 77 of this document.

Development Strategic Goal 3 Improvement of systems for investment promotion

Mid-term Objective 3-1 Improvement of investment policies/systems

Sub-target 3-1-1 Formulation and implementation of investment promotion policies

Sub-target 3-1-2 Simplification of investment procedures

[Case study on cooperation 8] Investment Promotion Advisor for the Philippines

With the aim to promote investment in the Philippines and develop action plans for investment promotion, an expert was dispatched to the Board of Investments of the Department of Trade and Industry of the Philippines.

In the Philippines, influential politicians had legislated laws to establish special economic zones with the aim to help stimulate the local economy, and different organizations had been working independently to attract investment. Absence of an organization responsible for overall coordination of investment promotion had made it difficult for the country to sell itself in a strategic manner.

The dispatched expert helped set a place where 11 investment attracting organizations (currently 13 organizations) gathered together and had a series of discussions on strategies “*to sell the whole country of Philippines to foreign investors,*” and assisted them in developing the “Philippine Investment Promotion Plan (PIPP).”

The PIPP, which assumes that investment projects need approval of the 13 investment attracting

organizations in Philippines, set the goals of doubling the investment amount in 2014 compared to 2009 and of increasing direct investment from Japan in 2014 by 1.5 times compared to 2008. This plan is quite specific and has set priority sectors and specified promising industry groups and companies of different countries as possible investors. The eight priority sectors specified in this strategy are agribusiness, IT service, the electronic industry and semiconductors, energy (including new energy), physical distribution, mining, shipbuilding, and tourism. As sectors that should attract investment from Japan, auto parts (suspensions and headlights), batteries for new-generation vehicles, middle-scale shipbuilding, the steel industry, and mining were identified.

Reference: “Philippine Making an Appeal to Investors”—Support for the Development of the “Philippine Investment Promotion Plan”

http://www.jica.go.jp/topics/2010/20100629_02.html

Mid-term Objective 3-2 Strengthening of investment promotion functions

* For details about support for investment promotion in Zambia, refer to the column in pages 93 to 95 of this document.

Appendix 3. Reference materials

Japan International Cooperation Agency (JICA): <http://www.jica.go.jp/>

JICA (2003) Direction of Cooperation for System Development in Developing Countries (Systems Related to Trade, Investment, and Competitiveness) (Available at: <http://gwweb.jica.go.jp/km/FSubject1101.nsf/VW0101X02W/DD006572B035B09D49256EA700195C32?OpenDocument&sv=VW0101X15W>)

JICA (2005) Evaluation by External Organizations: Evaluation of the Theme of “Economic Partnership”—Social Capacity Building in the Trade Sector and the Way in which Support Should be Offered

(Available at: http://www.jica.go.jp/activities/evaluation/tech_ga/after/theme.html)

JICA (2012) Case Studies of Cooperation with Private Companies in Supporting Industrial Development

Homma, T. (2012) Export Promotion in Developing Countries—JICA’s Experience, 1st High Level Forum Industrial Policy Dialogue (Phase II) in Ethiopia, Addis Ababa, January 11 (Available at: http://www.grips.ac.jp/forum/af-growth/support_ethiopia/document/2012.01_ET/Mr.Homma.pdf)

Homma, T. (2013) Investment Promotion—Practical implications from JICA's experience in Zambia and others, 3rd High Level Forum Industrial Policy Dialogue (Phase II) in Ethiopia, Addis Ababa, January 16 (Available at: http://www.grips.ac.jp/forum/af-growth/support_ethiopia/document/2013.01_ET/HLF3/Mr.Homma_final.pdf)

[Domestic organizations concerned]

Ministry of Foreign Affairs of Japan (website of the Ministry’s ODA policy):

<http://www.mofa.go.jp/mofaj/gaiko/oda/index.html>

Ministry of Economy, Trade and Industry (External Economic Policy): http://www.meti.go.jp/policy/external_economy/index.html

Economic Partnership Agreement (EPA)/Free Trade Agreement (FTA):

http://www.meti.go.jp/policy/trade_policy/epa/index.html

International Investment Agreements: http://www.meti.go.jp/policy/trade_policy/epa/investment.html

Japan Bank for International Cooperation (JBIC): <http://www.jbic.go.jp/ja/>

Materials on investment environments:

<https://www.jbic.go.jp/ja/investment/report/index.html>

JBIC (2012) The 24th Report on Overseas Business Operations by Japanese Manufacturing Companies (Results of Questionnaires on Foreign Direct Investment in 2012), made public in December 2012

(Available at: <http://www.jbic.go.jp/ja/about/press/2012/1207-02/>)

Nippon Export and Investment Insurance (NEXI): <http://www.nexi.go.jp/>

Japan External Trade Organization (JETRO): <http://www.jetro.go.jp/indexj.html>

JETRO (2013) Survey of Japanese-Affiliated Companies in Africa (FY2012 Survey), made public in January 2013 (Available at:

<http://www.jetro.go.jp/world/africa/reports/07001208>)

JETRO (2012) Survey of Japanese-Affiliated Companies in Asia and Oceania (FY2012 Survey), made public in December 2012 (Available at:

<http://www.jetro.go.jp/news/releases/20121218029-news>)

The Overseas Human Resources and Industry Development Association (HIDA):

<http://www.hidajapan.or.jp/>

[International organization]

World Bank Group: <http://www.worldbank.org/>

International Finance Corporation (IFC):

http://www1.ifc.org/wps/wcm/connect/corp_ext_content/ifc_external_corporate_site/home

Multilateral Investment Guarantee Agency (MIGA): <http://www.miga.org/>

Doing Business: <http://www.doingbusiness.org/>

Enterprise surveys: <http://www.enterprisesurveys.org/>

Business Environment Snapshots: <http://rru.worldbank.org/besnapshots/>

Investment Across Borders: <http://iab.worldbank.org/>

Investment Climate: <https://www.wbginvestmentclimate.org/index.cfm>

Global Investment Promotion Benchmarking:

<https://www.wbginvestmentclimate.org/uploads/GIPB2009.SummaryReport.pdf>

Investment Generation Toolkit:

<https://www.wbginvestmentclimate.org/toolkits/investment-generation-toolkit/>

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[https://www.wbginvestmentclimate.org/uploads/SEZs%20-%20Performance,%20Lessons%](https://www.wbginvestmentclimate.org/uploads/SEZs%20-%20Performance,%20Lessons%20)

20Learned%20and%20Implications%20for%20Zone%20Development.pdf)

World Bank (2002) Private Sector Development Strategy—Directions for the World Bank Group (Available at: <http://rru.worldbank.org/Documents/PapersLinks/699.pdf>)

Asian Development Bank (ADB): <http://www.adb.org/>

Industry and Trade: <http://www.adb.org/sectors/industry-and-trade/main>

African Development Bank (AfDB): <http://www.afdb.org/en/>

Enhanced Private Sector Assistance for Africa (EPSA):

<http://www.afdb.org/en/topics-and-sectors/initiatives-partnerships/enhanced-private-sector-assistance-for-africa-epsa-initiative/>

List of Japanese companies engaged in businesses in Africa (May 2013):

http://www.afdb-org.jp/file/japan/List_ofJapanese_Enterprises_jpn.pdf

European Bank for Reconstruction and Development (EBRD):

<http://www.ebrd.com/pages/homepage.shtml>

Transition Report:

<http://www.ebrd.com/pages/research/publications/flagships/transition.shtml>

Business Environment and Enterprise Performance Survey (BEEPS):

<http://www.ebrd.com/pages/research/economics/data/beeps.shtml>

Inter-American Development Bank (IDB):

<http://www.iadb.org/en/inter-american-development-bank,2837.html>

United Nations Conference on Trade and Development (UNCTAD):

<http://unctad.org/en/Pages/Home.aspx>

World Investment Report:

http://unctad.org/en/Pages/DIAE/World%20Investment%20Report/WIR2012_WebFlyer.aspx

United Nations Industrial Development Organization (UNIDO): <http://www.unido.org/>

World Trade Organization (WTO): <http://www.wto.org/>

World Customs Organization (WCO): <http://www.wcoomd.org/>

Organisation for Economic Co-operation and Development (OECD): <http://www.oecd.org/>

The Policy Framework for Investment (PFI): <http://www.oecd.org/investment/pfi.htm>

ASEAN-Japan Centre: <http://www.asean.or.jp/ja/>

[Major donors]

The Donor Committee for Enterprise Development (DCED):

<http://www.enterprise-development.org/>

DCED (2008) Supporting Business Environment Reforms—Practical Guidance for Development Agencies (Available at: <http://rru.worldbank.org/documents/DonorGuidance.pdf>)

UK Department for International Development (DFID):

<https://www.gov.uk/government/organisations/department-for-international-development>

German Federal Ministry for Economic Cooperation and Development

(Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung: BMZ):

<http://www.bmz.de/en/index.html>

German Federal Enterprise for International Cooperation (German: Deutsche Gesellschaft für Internationale Zusammenarbeit: GIZ): <http://www.giz.de/en/>

Danish International Development Assistance (DANIDA): <http://um.dk/en/danida-en/>

United States Agency for International Development (USAID): <http://www.usaid.gov/>