No.47

2015.11.30

Providing Africa with Asia's Experience in Development Finance

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Between the end of October and the beginning of November, there was the opportunity of participating in a seminar regarding development finance in Japan and Asia for the staffs of development institutions of 12 countries of southern Africa at JICA Tokyo International Center. The two week long seminar was all very interesting in contents and the one of most impressive topic was the large difference between South Korea and Thailand in regards to, the source of funding and the stance of the government during the developing stages of the economy. Major points are as follows.

In South Korea during the stages of development of the heavy and chemical industry which started from the 1970s, being a strategic industry, the government allocation funds to increase exports. Namely, the government, based upon the policy to industrialize the exported oriented industry, acted as the coordinator for development finance. As a result shaped a corporate group centered on a conglomerate that could compete against foreign cooperation in the international market. Due to this, in South Korea, looking the total assets of the policy-based financial institutions, the ratio of lending to commercial banks was extremely high compared to other Southeast Asian countries.

On the other hand Thailand was opposite that of South Korea where the government's involvement was small. With the liberal policy of trade and investment since the 1980s, mainly due to direct investments from foreign private enterprises the industry developed and during that time, transfer of technology from foreign companies to local companies progressed. In the financial sector, a liberal policy of deregulation of interest rates, businesses and foreign exchange was done and governmental financial institutions gradually dissolved.

As a result, between South Korea and Thailand, during the development process of the industrial structure, there was the large difference on how funds were provide to the manufactures from the banks. To know the degree of progress of industrialization if one looks at the share of manufacturers amongst GDP, looking at the time period when both countries industrialize in the same degree, in South Korea the share of the manufactures amongst the lending of the banks reached as high as two to three times of that of Thailand.

After this explanation during the seminar, the African development institution's participants asked questions like, "Between South Korean's and Thailand's case, which is suitable for my country", or "In the Asian countries that actively brought in direct investment, did the government do anything to support the technology transfer from foreign companies to local companies". Since many countries of Africa are aiming at the development and deepening of manufacturers, all the participants were serious and discussions continued even after the lecturers' answers. It is hoped that the knowledge they had learned and gained will be shared in their country after they have returned and would lead to diversification and enhancement of their country's industries.