

Abstract

The objective of this research is to determine appropriate programmes for development cooperation in the field of economic development. With this objective, structural conditions of economic development in recipient countries are analyzed and the demands for cooperation from their part are presented. Afterwards, promising policy issues are screened in the context of various Korean development experiences to present concrete programmes for cooperation in the field of economic development.

1. Research Methodology

In order to account for the diversity in the structural and institutional conditions of economic development, the 56 recipient countries are classified into several groups. There can be many grouping criteria, including structural and institutional ones. Our research applied 3 structural conditions as grouping criteria in Chapter II and other conditions are used to derive more concrete demand for development cooperation in Chapter IV.

The first criterion is the level of development, which differentiates, in particular, the least developed countries from other developing countries. The second criterion is economic dependency on resource extraction, such as oil, natural gas and mineral resources. Abundant resources are a source of development opportunities, but they can also become obstacles to economic development via their structural and institutional effects. The third criterion is the degree of industrialization. Given the fact that most successful developing countries have achieved their high growth rate through industrialization, shares of industry and manufacturing in GDP should be an important conditioning factor of development.

The recipient countries are classified into 4 different groups. The first group consists of the least-developed countries whose per capita GDP in 2009 is under 1,000 dollars. The second group is the resource-dependent developing countries with resource exports exceeding 35% of total exports. The rest of the recipient countries are grouped into two groups according to manufacturing value-added/GDP. One group is of developing countries with a medium level of industrialization and a manufacturing/GDP ratio above 20%; the other group is of developing countries with low level industrialization and a manufacturing/ratio lower than 20%.

2. Selecting policy issues for development cooperation

In selecting relevant policy issues for development cooperation, our research focused on the transferability of experiences screened from Korea's economic development. The pool of policy issues was constructed from the book, 'The six decades of Korean Economic development', which covers four main sectors: general economy, industry, social welfare, territory/environment and international economic relations. The seven sectors of KOICA programmes were also considered. After considering the possible size of cooperation programmes, applicability to development cooperation and potential demand from the recipient countries, 52 policy issues were selected from this pool under the categories of general economy, industrial development and territory/energy.

We then proceeded to select priority policy issues with the Delphi method. After brainstorming and consultation with various expert groups, 20 policy issues were finally selected as priorities for development cooperation.

In the last stage, these 20 policy issues were assigned to each country group of chapter II. For each country group and its differentiated development conditions, about 10 policy issues were assigned as priorities.

3. Characteristics of each group and possible sectors for development cooperation

In chapter 4, economic characteristics of the four groups are analysed, and demands for development cooperation are examined. Chapter 4 also explores the differences of development condition, the factors that constrain the development and the sort of the demand for development cooperation of each group.

The least-developed countries are countries that are underdeveloped in all sectors including economy and society. In these countries, most of the population resides in rural areas and are engaged in pre-modern agriculture, and the share of agriculture in the national economy is relatively high. The contribution of aid to the national economy is also high. Hence, the following tasks are crucial goals for development cooperation: solving the food shortage problem, making use of the experience of aid, and constructing social overhead capital (SOC) to overcome the deficiency of infrastructure.

In the resource-dependent developing countries, oil and mineral resources take up great parts of revenues and exports. This dependency on resources often becomes a crucial constraining factor to long-term economic development. For these countries to develop, it is necessary to find out a stable way to export resources, construct basic infrastructure for economic development, reduce the dependency on resources and diversifying the industries, and reform government to push such policies forward. Therefore, considering industrial development, the crucial tasks of development cooperation are: policy consulting with the financial sector to cope with international price volatility of raw materials, constructing basic infrastructure for economic development, policy consulting to diversify industries, and policy consulting to improve the role of government.

The developing countries with low level industrialization have a higher income level than the least-developed countries, and a lower share of mining industry in the economy than the resource-dependent developing countries, and an underdeveloped manufacturing industry. Due to this lack of development in the manufacturing industry, main exports are confined to unsophisticated goods despite high export

dependence, such as food and textiles. The following factors constrain the development of these countries: lack of finances, undeveloped infrastructure, industrial growth confined to special sectors, undeveloped manufacturing-related industry, lack of expert and skilled labor, lack of entrepreneurship, lack of administrative systems and bureaucratic corruption. Construction of industrial parks for foreign investment, promoting small businesses and training technical professionals, and strategies to improve exports can be main focuses of development cooperation.

The developing countries with medium level industrialization have lower trade dependence and a larger share of manufacturing in economy. The light industry takes relatively high proportion of trade as well. The countries with high dependence on export of light industry goods are facing hard times as international competition of light industry intensifies. Similarly, the countries with partially developed heavy chemical industry are experiencing difficulties because of underdeveloped technology and facilities, as well as lack of linkages to other industry. These countries should develop high technology industries and heavy chemical industries, instead of labor-intensive industries, in order to maintain industry growth. The targets of development cooperation for countries dependent on light industry can be developing strategic industry, mainly concentrating on heavy chemical industry, and establishing and promoting comprehensive land development. Also, for countries dependent on heavy chemical industry, promotion of technology and nurturing of technology venture firms to strengthen the competitiveness of heavy chemical industry can be important goals of development cooperation.

4. Action programs for selected policy issues

This chapter proposes action programs which can be implemented after policy issues have been selected according to the criteria of the previous chapter. For those selected policy issues, we describe Korea's experiences and propose action programs based upon those experiences.

In order to use Korea's experiences as a reference when preparing action programs, we explain policy backgrounds, outlines of implemented policies and their achievements.

For action programs to be transferred, after briefly introducing some relevant existing ODA cases, we try to propose new forms of pilot projects along with conventional ODA programs.

Related to the Saemaul movement which is chosen for under-developed countries, we describe experiences and achievements made during 1960s and 1970s and propose an action program on how to build up public institutions in charge of this movement. Related to increasing food production, we explain Korea's experiences in developing new species and improving farming methods and propose a successive program for improving food production. Related to utilization of aid, we describe how Korea tried to utilize foreign aid for development purpose by prioritizing SOC development and proposes a training program for government officials. Related to building up infrastructure for industrialization, we describe Korea's experience in 1960s and propose an action program for developing infrastructure for both industry and agriculture. Related to cultivating entrepreneurship, we introduce the role played by Korea's early entrepreneurs and government assistances for them in 1960s and propose a training program for government officials.

Related to linking planning for economic development and budget allocation which is chosen for resource dependent developing countries, we describe Korea's experiences and achievements during 1960s and 1970s and propose action programs on how to enhance the teamwork between planning officials and budgeting officials and how to establish a development bank. Related to investment in infrastructure, we explain Korea's experiences in undertaking national land utilization plans and building new towns in 1970s and propose action programs on how to design land utilization plans, how to harmonize land plans and economic and industrial development plans and how to prepare master plans for new town development. Related to fostering science and technologies for industrial diversification, we introduce Korea's policy experiences in 1970s especially in the public R&D area

and propose action programs on how to prepare plans for technology road maps, human capital development and public think tanks in 1960s and 1970s and propose consultation programs in the areas of preparing development plans and training human capital.

Related to establishment of industrial zones which is chosen for developing countries with low level manufactures, we introduce Korea's experiences on how to establish and manage industrial zones, how to conduct location policies and how to build up industrial zones for both agriculture and manufacturing and propose a detailed action program for establishing industrial zones. Related to export promotion, we describe Korea's experiences on how to undertake export-oriented industrialization, how to establish export-oriented industrial zones, how to foster trade personnels and how to establish export promotion organizations and propose detailed action programs on export promotion. Related to fostering small & medium enterprises (SMEs), we introduce Korea's general system for assisting SMEs, SMEs incubating system, financial assistance, and R&D assistance and propose assisting SMEs. Related to forming human resources for industries, we explain Korea's system for professional training, formation of farming workers, and social education system, and propose detailed action programs on SMEs assisting system.

Related to promoting strategic industries which is chosen for developing countries with medium level manufactures, we introduce Korea's experiences in developing heavy and chemical industries in 1970s and propose an action program for building up a joint plan for developing strategic industries. Related to assisting R&D, we describe Korea's experiences in assisting private sectors' R&D efforts in 1980s and propose an action program on building up tax incentives for R&D.