

East Asia — Promoting Strategic Partnerships

The East Asia region consists of China, Japan's largest trading partner with the world's second highest total nominal GDP in 2010 (per-capita GDP approximately one tenth of Japan's at US\$4,382) and Mongolia, with rapid economic growth based on its abundant mineral resources. The region is becoming increasingly important not only for Japan but also for the global economy. Through top-level joint declarations with each country, the Japanese government

has recognized the relationship between each country as "promoting strategic reciprocal relations" (China) and "building a strategic partnership" (Mongolia).

Under these circumstances, JICA is cooperating in dealing with the challenges faced by these two countries, and is assisting in building mutual understanding to support bilateral relations with Japan.

Key Aid Strategies

Promoting Stable and Sustainable Growth and Mutual Understanding

JICA's support for China focuses on the three priority areas listed below, with emphasis on human resource development and policy support.

- 1) Cooperation to tackle environmental and other global issues including measures against environmental problems and infectious diseases
- 2) Assistance for the open and reform policy, covering promotion of sound social development and the transition to a market economy
- 3) Promotion of mutual understanding

As a part of this support, JICA has activities which also are useful for Japanese private enterprises with high-end technology. One of the activities is holding seminars with the participation of Japanese private enterprises on the appropriate management and

recycling of polluted sludge. Furthermore, since the Great Sichuan Earthquake in May 2008, JICA has provided technical support to enhance disaster prevention and reconstruction efforts.

For Mongolia on the other hand, since its democratization and transition to a market economy in 1990, JICA has extended support in the four priority areas listed below.

- 1) Institution-building and human resource development to promote a market economy
- 2) Rural development
- 3) Environmental conservation
- 4) Infrastructure development to promote economic activity

In recent years in particular, JICA has been supporting Mongolia's efforts to diversify its national industries beyond those that are dependent on natural resources. JICA is also extending

JICA Programs in East Asia (Fiscal 2010)





support to solve urban issues in the capital city of Ulaanbaatar, and is assisting with expansion of basic social services. In November 2010, in the presence of the leaders of both countries, an ODA Loan agreement was signed, aiming for sustained development through support for small and medium-scale enterprises.

Country Overviews and Priority Issues

China

Considering the experience and human network gained through more than 30 years of support for China, and taking into account the reciprocity, JICA is providing cooperation in the three aforementioned key areas. JICA is also contributing to strengthened relations between both countries in the disaster prevention sector and foreign economic cooperation.

1. Addressing Environmental Issues and Infectious Disease

Infectious diseases and environmental issues in China, including the country's emissions of greenhouse gases, are problems with effects that extend across national borders. Strengthening the measures taken against these problems is considered an urgent matter.

In order to help China deal with environmental issues, JICA is working hard to provide technological support, policy support and human resource development to address climate change and promote a recycling-oriented economy. Through the Promotion of Circular Economy Project, implemented by the Sino-Japan Friendship Centre for Environmental Protection, JICA is extending support for a range of efforts including facilitating environmentally friendly business activities, raising the environmental awareness of Chinese citizens, and promoting the development of eco towns. The Municipal Waste Recycling Promotion Project in China, which began in 2010, is supporting policies for recycling waste and improving legislation [➡ See the Case Study on page 42]. Furthermore, JICA is assisting in efforts aimed at environmental protection through ODA Loan projects currently underway in areas including the development of water and sewage infrastructure, measures to address water and air pollution, and measures to promote afforestation and prevent desertification in China.

In support of infectious disease countermeasures, JICA is helping to improve surveillance and inoculation services for conditions such as polio and measles, and the strengthening of measures against hospital-acquired infection. JICA is also encouraging capacity development in the health administration sector and sharing and exchange of information between Japan and China in order to push forward sustained measures against these diseases.

2. Promoting the Transition to a Market Economy and Achieving Sound Social Development

As China's production capacity and domestic markets expand,

the need for it to establish a market economy system harmonized with international rules is becoming increasingly important not only for sustainable economic growth within the country, but also to increase prospects for the economic activities of Japanese companies, and consequently, the creation of new opportunities for economic growth for Japan. For these reasons, JICA is supporting the development of legal systems related to economic activity such as civil legislation, and the development of human resources to ensure the appropriate use of systems including capital markets and international taxation.

However, rapidly growing social disparities and the ambiguous use of administrative power presents risks to the economy and society. Accordingly, JICA is supporting efforts such as the establishment of systems for China as a country governed by the rule of law, the expansion of social security, and the elimination of regional disparities.

3. Enhancing Mutual Understanding

Enhancing the level of mutual understanding between the citizens of Japan and China is essential to achieving good long-term relations between the two nations.

JICA sends volunteers to China, promotes exchanges between local governments and conducts youth training and training for new and middle level managers through visits to Japan, while also supporting the activities of NGOs.

In addition, JICA is implementing diverse initiatives that are designed to develop human resources who possess a good understanding of Japan, while helping to increase opportunities for direct exchange between the citizens of both nations, and to enhance the level of understanding of each other's culture and society. JICA's Higher Education Project aims to contribute to good relations through an ODA Loan which seeks to improve the level of higher education with a focus on inland China.

4. Supporting Disaster Prevention and Reconstruction

Since the Great Sichuan Earthquake wreaked devastation in May 2008, JICA has engaged in a wide range of efforts to apply Japanese experience and techniques and also to backup disaster prevention and reconstruction initiatives in less-tangible terms, such as support for the capacity development of human resources in the fields of earthquake relief, seismic construction, mental healthcare for earthquake victims, and assistance for the restoration of damaged forests through tree planting.

After the Great East

The Japan-China Cooperation Plan of Earthquake First-aid Capacity Training. Scene of rescue training.



Japan Earthquake struck on March 11, 2011, a Chinese emergency relief team formed by the China Earthquake Administration, which assists in JICA projects relating to earthquake relief in China, was dispatched to Japan. This can be considered a good example of how the continued strengthening of relations through cooperation activities has engendered the spirit of mutual assistance.

5. Strengthening Exchanges Related to External Economic Cooperation

China has been implementing its own external economic assistance for many years, and it has increased the scale of this assistance in recent times. JICA is engaged in exchanging opinions in a wide range of areas with, for example, the Export-Import Bank of China, which is responsible for the provision of favorable loans for foreign countries, and the Ministry of Commerce—the ministry in charge of external assistance in China—with a view to deepening mutual understanding about concepts and methods of cooperation and building cooperative relations. In 2010, as well as implementing training in Japan for the Ministry of Commerce's mid-level managers, a joint workshop was held by the Export-Import Bank of China and external economic assistance organizations of the Republic of Korea and Thailand.

Mongolia

Japan has a close relationship with Mongolia, a country to which it has been the largest donor nation since the commencement of the ODA relationship in 1990. Based on this favorable environment for cooperation, JICA is currently working to improve the aforementioned challenges.

1. Promotion of the Transition to a Market Economy and Developing the Private Sector

Mongolia has enjoyed considerable economic growth in

Local training under the Enhancing the Extension System for Comprehensive Crop-Livestock Management in Mongolia project.



recent years, but its economic structure relies excessively on the development and export of mineral resources, which accounts for approximately 80% of total exports. Due to this situation, JICA is providing assistance primarily to strengthen governance, which will serve as the base for appropriate management of revenue from mineral resources and macroeconomic stability, private sector development, and the improvement of the investment environment. In fiscal 2010, a new Technical Cooperation project has begun with the purpose of introducing and establishing a mediation system in the judicial system of Mongolia.

Furthermore, JICA is working in multiple areas to aid the development of the private sector through efforts including cooperation to establish an action plan to develop the investment environment and increase the capabilities of the relevant organizations, and the launch of a two-step loan in order to provide long-term capital to small and medium-scale enterprises [→ See the Case Study on page 43].

2. Supporting Regional Development and Enhancing Basic Social Services

In Mongolia, the benefits of rapid economic growth are simply

Case Study China Municipal Waste Recycling Promotion Project

Aiming at Policies on Recycling Solid Waste and at Legislative Development

In October 2010, a Technical Cooperation project was started to support the promotion of national policies and the development of legislative systems for the recycling of municipal waste in China. Solid waste is disposed of through burial and incineration in China, but inappropriate reuse of waste is also practiced, and the risks to the health of town- and city-dwellers as well as to the environment are mounting.



Expectations for Japan's Intellectual Contribution

Although the volume of solid waste is increasing rapidly in China due to the processes of radical industrialization and urbanization, systems for recycling and appropriate disposal are not fully established.

In the interests of sustainable development, China needs to rise to the challenge of establishing an appropriate waste treatment and material-cycle system, such as promoting resource-recycling technologies, and recycling.

In order to deal with this challenge, the project will

The reprocessing rate for packaging waste is low, while polluted water generated by recycling processes is frequently left untreated.

target the areas of food waste from restaurants and other establishments, packaging waste such as PET bottles and cans, and used tires, with leading specialists from Japan and China collaborating on policy research for the cyclical use of each form of waste. In addition, surveys and pilot projects will be conducted in four provincial towns and cities, to promote the cyclical use and appropriate management of municipal waste as mentioned above. Both countries intend to feed their results back to one another, with the aim of promoting the development of policy and legislative systems for cyclical use.

The Chinese government enacted the Circular Economy Promotion Law in 2009 and clarified its position in emphasizing the development of a circular economy. The relevant parties in China have great expectations of an intellectual contribution from Japan.

not reaching the poorer classes, resulting in increasing disparities.

In order to reduce poverty, JICA is pushing forward with cooperation, focused both on the development of the agriculture and livestock sector, which are the key industries in rural areas, and the establishment of social service systems, including those for education, health and water supply. In terms of encouraging the agriculture and livestock-farming industries, JICA is implementing a Technical Cooperation project to facilitate the development of a system for extending the concept of a comprehensive crop-livestock industry in an attempt to stabilize and streamline farming management through collaboration between these two sectors. Furthermore, JICA is extending cooperation to drive the improvement of elementary education and water supply facilities through Grant Aid, and to increase the capabilities of individuals and organizations working in basic social services through the dispatch of volunteers and the provision of grass roots Technical

Cooperation.

3. Strengthening Urban Functions of Ulaanbaatar

Approximately 40% of the total population of Mongolia is concentrated in the national capital Ulaanbaatar, and this population is continuing to grow rapidly at a rate exceeding 3% per year. There are a number of serious issues, concentrated mainly in the Ger District where the majority of people moving from rural areas live, such as a lack of basic infrastructural development and environmental pollution due to rapid urbanization.

Accordingly, since 2007, JICA has supported the establishment of an urban planning program for Ulaanbaatar. Based on this plan, JICA has provided assistance in institution-building and human resource development to accelerate urban development and improve the living environment. Furthermore, JICA has also assisted the city in enhancing its comprehensive urban functions through the construction of an international airport and roads.

Case Study

Mongolia Two-Step Loans Project for Small and Medium-Scale Enterprise Development and Environmental Protection (I) (II)

Aiming at Sustained Development through Support for Small and Medium-Scale Enterprises

This project will provide long-term capital for the small and medium-scale enterprises, which account for more than 90% of Mongolia's private enterprises and support its economic development, through the country's commercial banks.



Scene of the manufacture of frozen buuz (Mongolian style steamed dumplings) by Khaan Khuns Co., Ltd. The company used this project for capital investment and dramatically increased its sales.

In March 2006, JICA provided an ODA Loan of ¥2.981 billion for the first stage project, with another ¥5.0 billion provided in November 2010 for the second stage. More than 145 projects are currently making use of the first stage funding. Employment for over 1,300 people has already been created, and a contribution to an approximately 18,000 ton reduction in coal usage has been confirmed.

Responding to the Huge Need for Capital

In Mongolia, loans from commercial banks are mainly short term, and the small and medium-scale enterprises that suffer from low creditworthiness lack the long-term capital they require for capital investment. Furthermore,

there is no established system for procuring funding for environmental countermeasures. This project aims to promote measures for environmental protection, focusing on capital investment for atmospheric pollution countermeasures in urban areas, where the problem is becoming serious.

The Mongolian economy relies heavily on mining, with approximately 30% of GDP accounted for by the mining sector, and there are calls for industrial diversification through the development of the small and medium-scale enterprises, which account for the majority of businesses. Through this project, JICA is responding to the needs of small and medium-scale enterprises, while supporting the implementation of environmental countermeasures and backing the sustained and balanced growth of the country.

In addition to this project, JICA is engaged in Technical Cooperation projects to develop business-minded human resources through the Mongolian Japan Center for Human Development, to strengthen the capacity for assessing, observing and regulating the sources of Ulaanbaatar's atmospheric pollution,

and to increase the abilities of central banks. By collaborating with these activities, the project will support the promotion of Mongolian industry in a multi-faceted manner.

From the Grassroots

B. Enhbold

President, Khaan Khuns Co., Ltd.

As a company manufacturing frozen buuz (Mongolian steamed dumplings), we started business in 2002 with ten employees. Thanks to financing from the ODA Loan in 2008, we automated part of the production process and were able to expand the scale of our operations. Now we have 200 employees and are enjoying drastically increased sales. Our stores have grown to 50 in number, and we now occupy a 45% market share.

From Our Staff in Charge

A. Saihantoya

Staff Member of JICA Mongolia office

Many small and medium-scale enterprises are grateful for this project. After the Great East Japan Earthquake struck, messages of support and charitable donations were received from a large number of related parties, such as intermediary financial institutions (six commercial banks) and approximately 80 small and medium-scale enterprises that had received funding.

In addition to financing, this project is supporting improvements in the abilities of intermediary financial institutions and companies. Furthermore, the repayments from small and medium-scale enterprises are continually financing similar new enterprises through a revolving fund. Accordingly, Mongolia's independent and sustained development can be expected.