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“Criticism of the “Commitment to Development Index 2004””

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Criticism of the “Commitment to Development Index 2004”

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The Center for Global Development and Foreign Policy magazine have published the 2004 edition of the Commitment to Development Index, where Japan is placed at the bottom of the 21 advanced countries in terms of the “dedication to policies that benefit” developing countries. While the purpose (at least the “superficial purpose,” as David Roodman puts it in his article, “The Commitment to Development Index: 2004 Edition”) of rating rich countries’ policies to help poorer countries can be understood and appreciated, the actual method and final results are really problematic and even dubious. Anyone who has ever studied economic development and foreign aid would wonder why Japan is placed below any of the 21 advanced countries in terms of the dedication to policies to help developing countries, when Japan is the second largest donor nation in the world and is well known for its long-term commitment to policies to help developing nations, especially in the Asian region.

As we see it, the CDI (Commitment to Development Index) has some serious defects, which tend to put a large donor country like Japan in an unfairly disadvantageous position. First of all, the size effect is almost completely ignored. By focusing on per capita figures or ratios to GDP, Japan is ranked as low as Portugal and Spain, whose ODA/GDP ratios are almost the same as that for Japan. We all know, however, that just like the ratio of trade to GDP, it is much more difficult to maintain the same ratio of aid to GDP (or population) as the size of the domestic economy gets larger. In other words, the larger the size of the

domestic economy, the higher the degree of commitment needed in order to maintain the same ratio of aid to GDP. The CDI ignores this simple fact completely.

Second, there seem to be some arbitrary assumptions that single out Japan whose approach toward aid is somewhat different from other countries. More specifically, the CDI seems to weigh loans much less than grants, as interest payments by developing countries are subtracted out. However, one could even argue that interest might be regarded as a sign of successful aid activities, because recipients are now able to repay their loans after the development of their economies with the help of such loans. On the other hand, grants could be given to dictators who have no accountability to anyone at home or abroad. In any case, Japan with a disproportionately high ratio of loans to grants is very much disadvantaged, according to the arbitrary assumptions in this regard.

Third, and more fundamentally, there is no consistent measurement among the 7 components, namely, aid, trade, investment, migration, environment, security and technology. For example, aid policy is measured by the amount of aid itself, whether in terms of GDP or population, whereas trade policy is measured by tariffs and quotas on certain goods, and yet another method, a checklist approach, is adopted for investment policy. There is no coordination or no theoretical model to give a consistent view of the 7 components as a whole. This could happen when you delegate your analyses to specialists in various fields without strong coordination. Then you often fail to check some specialists' deviation from other specialists, where they can only see "trees" but not the "forest," possibly leading to a very distorted view of the overall picture, such as Japan, which is among the most dedicated countries to development aid, placed at the bottom of the 21 countries in terms of the dedication to policies that benefit developing countries.

Just to illustrate our point, let us mention a similar defect which can be found in the well-known IMD (Institute for Management Development)

ranking of world competitiveness, where Japan is ranked in the 23rd place, below Singapore (2nd place), Hong Kong (6th place), Taiwan (12th place) and even Malaysia (16th place)! After checking individual components, namely, economic performance, government efficiency, business efficiency and infrastructure, we have find some irregularities in the economic performance component in that Japan's ranking (17th place) looks too low in view of the fact that Japan's score is actually very high (2nd or 3rd place) in many of the individual items regarding economic performance. We have later found out by talking to a researcher who actually worked on the IMD ranking project that those who are in charge of ranking in the economic performance component deliberately omitted those items in which economically powerful countries such as Japan are ranked highly, presumably to make their final results look more interesting and appealing.

In fact, we have re-worked with the existing data in the "IMD World Competitive Year Book 2004," and came up with our own ranking for Japan by making use of all the available data without omission. Furthermore, we have adopted what might be called the "Olympic medal approach," by counting the number of individual items in which the country in question is ranked among the top three positions (gold, silver and bronze medals) in order to avoid any arbitrary weights attached to some arbitrarily selected items. Our results for Japan are summarized as follows (more details are given in the appendix):

- (1) Economic Performance: 2nd by our ranking (vs. 23rd by IMD)
- (2) Government Efficiency: 34th by our ranking (vs. 37th by IMD)
- (3) Business Efficiency: 21st by our ranking (vs. 37th by IMD)
- (4) Infrastructure 2nd by our ranking (vs. 2nd by IMD)
- (5) Overall Ranking 7th by our ranking (vs. 23rd by IMD)

This clearly shows that arbitrary selections and omissions as well as arbitrary weights in just one component, "economic performance" in this case, could hurt a particular country's overall standing significantly. Although it may be more interesting and appealing,

particularly to mass media, to have unexpected rankings than just a confirmation of the common sense, that would risk the credibility and usefulness of the ranking activity itself.

This may well be the case with the CDI, as David Roodman clearly states that “ranking the rich was a means to more important ends: to draw media attention ultimately to prod policy reform.” While he has been partially successful in drawing some media attention regarding the surprisingly low rankings for Japan and possibly U.S., he may not be able to succeed in pushing policy reform unless he and his colleagues reconsider the overall framework and approach to build credibility and confidence in their study on ranking the rich.