



JAPANESE INVESTMENT IN AFRICA: ABE'S AFRICAN PIVOT

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March 21, 2018

(Views expressed in the brief are those of the author, and do not represent those of ISSI)



On March 18, 2018, the Japan International Cooperation Agency (JICA) approved its first official development assistance loan to the African Development Fund of nearly \$700 million to support loans for infrastructure and development projects across Africa.¹ The fund, part of the African Development Bank (AfDB) group, mainly provides support to least-developed and poor countries in the form of very long-term, low-interest financing. Japan's unique selling proposition towards African investments caters for African needs. Besides for-profit investment project, these investments have a core element of catering to public welfare of Africans by investing in health, education and human development.

African economy has recently witnessed an influx of Foreign Direct Investments (FDI) from countries like China, India, Japan and now Turkey. This trend has been steady despite the growing global uncertainty.² Keeping in view Africa's complex socio-political landscape, and the challenges (especially coming with these investments); the African leadership at the continental level needs to emerge and guide this process of African development and growth. For this purpose, it is important that they be able to distinguish with all merits and de-merits between different options and opportunities available for Africa. In this regard, welfare of African people comes foremost and this

¹ <https://investadvocate.com.ng/2018/02/14/japan-provides-700-million-african-development-fund/>

² [http://www.ey.com/Publication/vwLUAssets/ey-attractiveness-program-africa-2017-connectivity-redefined/\\$FILE/ey-attractiveness-program-africa-2017-connectivity-redefined.pdf](http://www.ey.com/Publication/vwLUAssets/ey-attractiveness-program-africa-2017-connectivity-redefined/$FILE/ey-attractiveness-program-africa-2017-connectivity-redefined.pdf)

is where Japan is making a difference. African leadership must craft an action plan and command public support to deliver on their implementation commitments made under FDI.

The recent JICA loan has its roots in the “Tokyo International Conference on African Development” (TICAD) VI which was held in August 2016, in Nairobi. This marked a renewal of Japan-Africa partnership and their commitment to TICAD, as it was the first time since its creation that this conference was held in Africa. At this occasion, Japanese Prime Minister, Shinzo Abe announced \$30 billion in public and private support for infrastructure development, education and healthcare expansion in the continent.³ More importantly, he aspired to develop more robust partnership by not only investing in traditional areas of energy production, connectivity projects and strategic cooperation, but also the capacity building of human resource as a cross-cutting theme.

TICAD VI's Nairobi Declaration theme was, "Advancing Africa's sustainable development agenda and TICAD partnership for prosperity". The implementation plan agreed as a result of this new partnership shared three key objectives or areas of focus, which included:

1. Promoting structural economic transformation through economic diversification and industrialization.
2. Promoting resilient health systems for quality of life.
3. Promoting social stability for shared prosperity.

Categorized under these three broad pillars are sub-themes which mainly provide the content of this new partnership and its focus.⁴ These sub-themes also signify a shift in TICAD approach from a traditional assistance program paradigm to a more private investment oriented, inclusive and business friendly environment. More importantly, the 'soft' component of capacity development for the African human resource holds the key to this new partnership which focuses on stability and sustainability at socio-politico-economic levels.

However, Japan's biggest competitor for influence in the region is China, which is the number one job creator on the continent despite a 125% increase in Japanese FDI with TICAD VI. The economic growth of the continent will remain robust and rotate around 3-5% range, reaching \$3 trillion of

³ <http://fortune.com/2016/08/27/japan-africa-investment/>

⁴ http://www.mofa.go.jp/af/af1/page3e_000549.html

Gross Domestic Product (GDP) by 2020 for the entire continent.⁵ With a population just around 1.2 billion, Africa has enough opportunities for everyone.

A comparative analysis of Chinese Belt and Road Initiative (BRI) and Forum on China-Africa Cooperation (FOCAC) with that of Japanese Investment under TICAD represents certain similarities and some distinctions. Both are termed as 'game changers' and pivotal to African and global economy. Japan's development pitch entails investing into socio-political sectors including social stability and health projects. It is also investing into capacity building initiatives by training the African youth.⁶ Japan unique development proposition has shown sensitivity to the 'African Paradox'; where the continent is rich of natural resources, and yet, its people are poor. Hereby, it is not implied that China is not cognizant to African realities, but Japanese investment signify a practical approach to filling these gaps in perceptions and realities when it comes to introducing risk mitigation techniques.

From a strategic perspective, Africa is to witness increased polarization between Japan and its allies including India and United States, and on the other hand we find China along with other players including Turkey. It is now up to the African leadership to negotiate better deals and packages in terms of socio-economic uplift and mainstreaming their political process. They should prevent this polarization from spilling into their political system and champion public welfare. Pakistan along with other major players should come forward with sharing of expertise, diplomatic support and economic packages that are to mutual benefit. The real taste of the pudding lies in implementation, and only those countries which command local support shall be able to deliver on this front.

⁵ <https://www.youtube.com/watch?v=3JgHq3OaK1s>

⁶ <https://www.youtube.com/watch?v=7xB3rMOMik8>