

Notes de l'Ifri

Japan's Economic Diplomacy in Africa
Between Strategic Priorities and Local Realities



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Japanese Strategic and Economic Partnerships with Africa in a Turbulent Era: Achievements, Challenges, and Way Forward

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Introduction



Under Abe, “Japan is back” (in Africa, too)

- **\$ 60 billion** (in total): A record amount of financial support for Africa pledged at the TICAD 5 and TICAD 6 (2013/2016).
- TICAD 6 (2016): 1st summit on the African continent (Nairobi, Kenya)
- Announcement of FOIP in TICAD 6 in Nairobi
- Abe’s vision also applies in Africa: Japan is back to Africa too

Introduction

Japan's economic diplomacy in Africa under Abe pursued two objectives:

Economic aim

- Catching up with other Asian and Western actors in the African market
- Moving from a focus on ODA to a private investment-based approach
- **→ Profitability governs the investment decision**

Geopolitical aim

- Competing with China and offering an alternative to the BRI in Africa
- Africa policy viewed as part of Japan's systemic rivalry with China
- **→ Political considerations governs the investment decision**

Introduction

Tokyo's objectives do not seem to have been met → significant disparity between the political rhetoric and local realities.

Japanese companies are still very reluctant to invest in a continent: In 2019, Japanese investments to Africa totaled \$ 12 billion, or half as much as in 2013.

In these conditions, the rhetoric on rivalry with China is also proving difficult to maintain in Africa.

Two gaps:

- between Japan's Africa rhetoric and the reality of Japanese involvement,
- between Tokyo's ambitions and its capabilities.

→ A more realistic assessment of Japanese involvement in Africa by examining the government's strategic ambitions (1) and local realities (2).

The Strategic Priorities: Attracting investors

- The 2013 growth strategy – Catching up on African market
 - Attracting private investment as a priority
 - 2015-Development cooperation Charter-Economic cooperation more than ODA
- Companies are becoming key stakeholders in the TICAD process

2016: TICAD 6 in Nairobi:

- 75 companies attended
- Out of the \$ 30 billion pledged as development assistance package, \$ 20 billion to be covered by private investment.

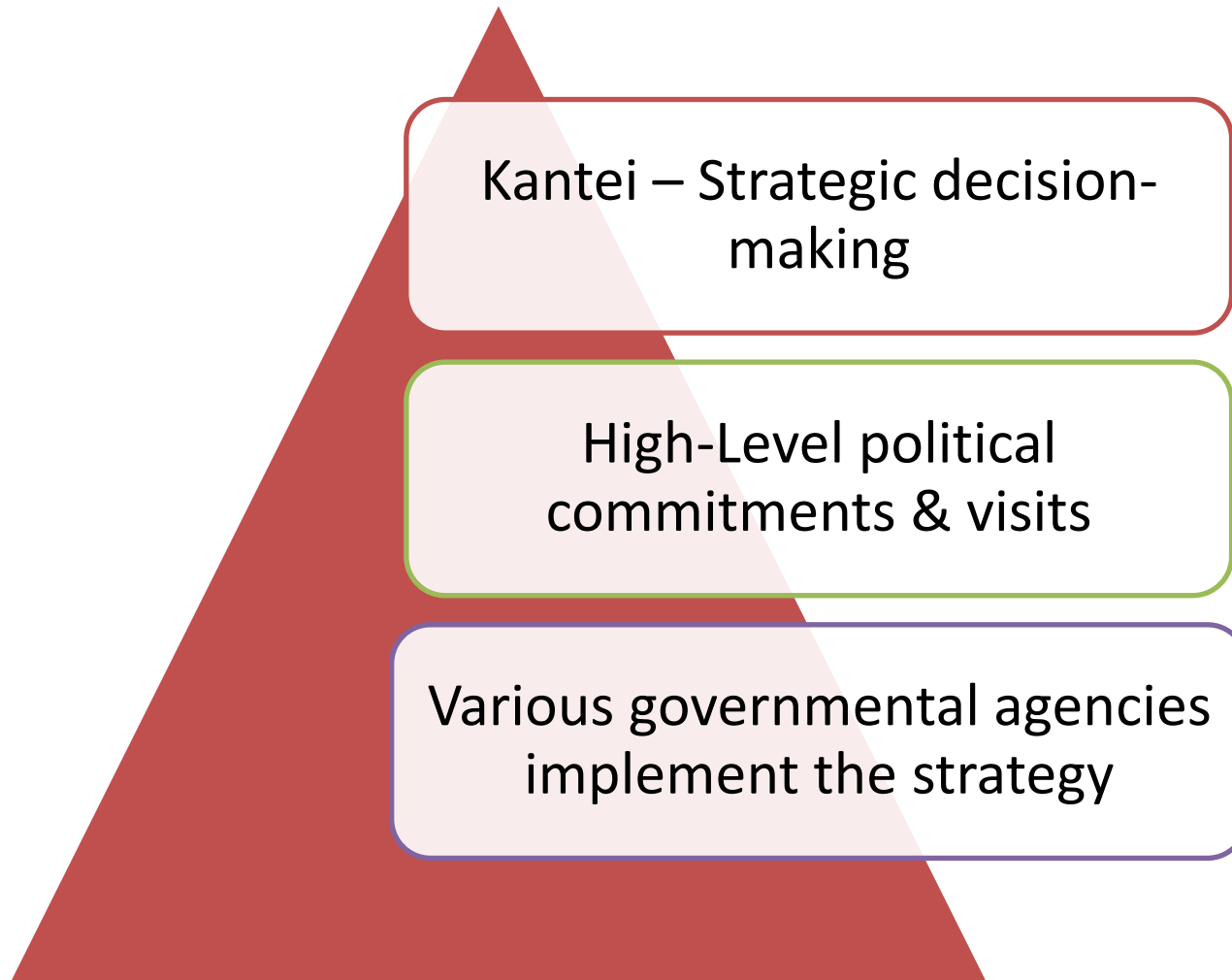


Economist.com/graphicdetail

Source: The Economist, August 5, 2014

**Securing private investment is essential to keeping
Japan's promise of financial support for Africa.**

The Strategic Priorities: Japan's economic diplomacy in action



The Strategic Priorities: Key actors and tools

JICA

- Implement ODA
- Favor PPP
- Provide vocational training
- Participate to financial packages to build infrastructures

JBIC

- Infrastructure financing, providing loans, equity and guarantees for investment in energy and mineral resources

Nippon Export and Investment Insurance (NEXI)

- Risk coverage (terrorist attacks and natural disasters and so on)

JETRO

- Support companies (info sharing and so on)

The Strategic priorities: Competing with China

The Chinese factor structures Japan's foreign policy, including in Africa.

Japan's concern on Chinese presence in Africa

China's growing economic presence

- Africa's leading trading partner since 2009
- 2014: \$200 billion in trade compared to \$ 27.5 billion for Japan
- 3,000 Chinese companies in Africa (compared to 800 for Japan)
- Since 2013 Beijing committed to development assistance double the amount of Japan's (\$ 120 billion in total).

China's political influence

- BRI and risks of overdebness, low standards for governance
- China, Japan and the reform of the UN Security Council
- China's expanded military presence

The Strategic priorities: Competing with China

Japan's reaction: more activism, and dissociating itself from China

- 2014: TICAD gets a boost – its multilateral nature highlighted
- Emphasis on quality, rather than quantity of Japan's economic cooperation
- 2016: The Free and Open Indo-Pacific

This rhetoric on rivalry between Japan and China in Africa stemmed from the Abe government's geostrategic vision, but is also driven by the media

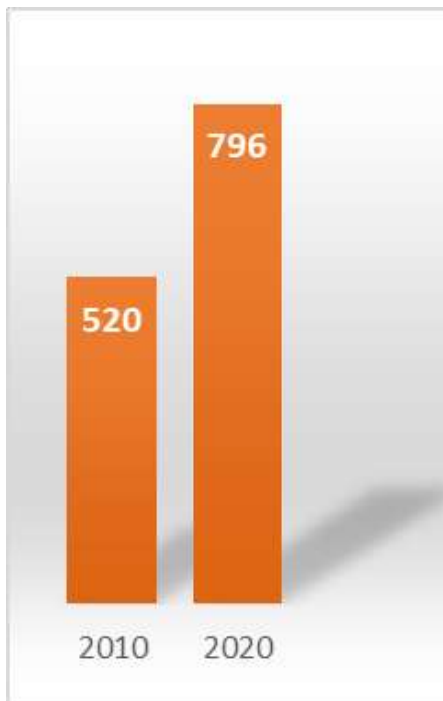
The message conveyed that Japan should present itself as an alternative to China in Africa generates high expectations

Does it correlate with the interests, resources and limitations of the actors who can realize this vision?

Local Realities:

Positive effects of the measures on investments

Japanese companies operating in Africa



Kenya attracted + 45% of Japanese investment between 2016 and 2019

Business are getting more diversified:



In 2019, 80% of Japanese companies set up in Africa because of the prospects of the African market.

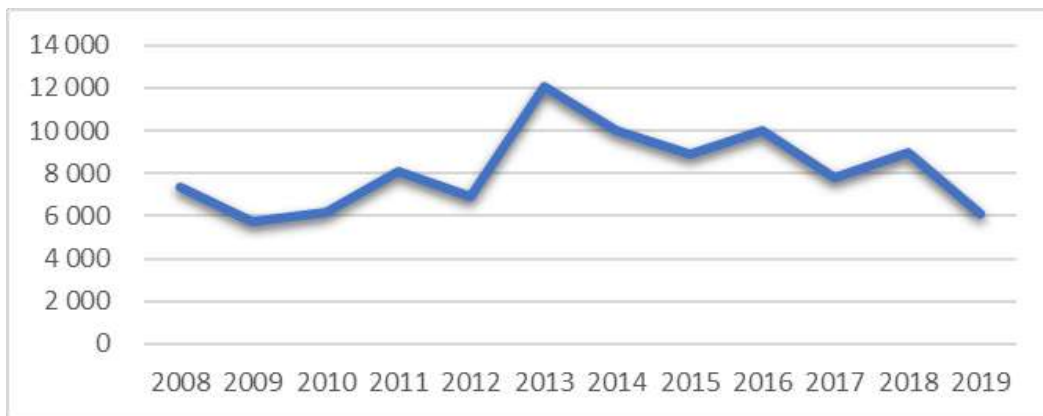
Kenya, Nigeria and South Africa the 3 most attractive countries since 2015.

Natural resources an incentive for only 14% of companies (30% in 2007)

Being part of an ODA-funded program an incentive for only 14% (24% in 2007).

Local Realities: Disappointments on the private investments

Japanese investment stock in sub-Saharan Africa (in millions of US dollars)



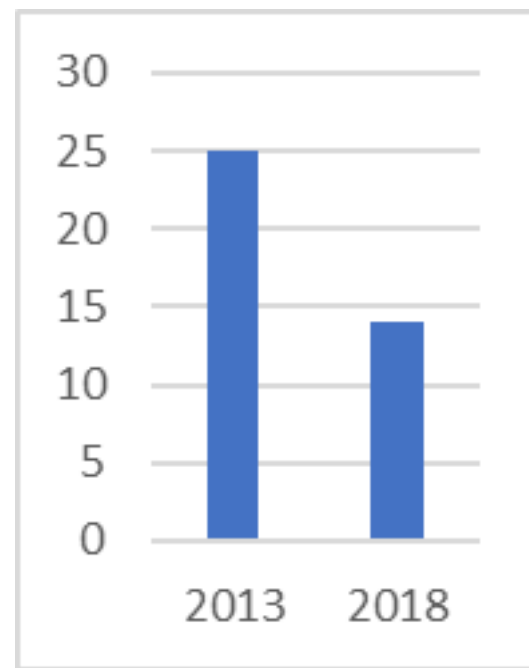
Compiled by the author. Source: Jetro



TICAD 7:

The Japanese government “will make every effort” to ensure private investment exceeds \$ 20 billion.

Value of Japan-Sub-Saharan Africa trade (in billion US dollars)



Local Realities: Disappointments on the private investments

Why investments are not up to expectations?

Japanese companies' perception of Africa.

- A distant, risky continent
- Not a priority target for business
- Africa already covered by Europeans, Chinese
- Investment climate still challenging

The difficulty in transposing the model applied by Japan in Asia to Africa.

- Close cooperation between public authorities and the private more difficult in Africa.
- Difficulty to rely on local supply chains and local workers.

The disconnect between the governmental priorities and companies' economic interests.

- Illustration: the difficulty to attract private investment to build infrastructures.

Local Realities: Rethinking the narrative of rivalry with China

Japan as a norm entrepreneur: Quality infrastructure and issue of debt

- Quality infrastructure agenda successfully promoted in OECD, World Bank, G7, G20
- The issue of over indebtedness also raised in international settings

FOIP and Africa

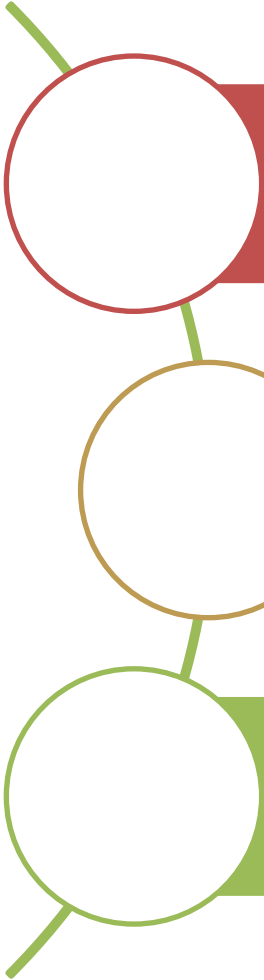
- FOIP mainly involves East African coastal countries in terms of maritime security, connectivity, blue economy
- Is FOIP an efficient driver to promote joint investments? The AAGC

No direct competition: Significance of the rivalry narrative?

- Japan's rivalry with China in Africa at best “asymmetrical”
- Tokyo is not able to match China's capacities in Africa, so there is no direct economic competition in Africa
- Actually, cooperation with Chinese companies would to be more beneficial

**For some actors in the Japan-Africa relationship,
“the rhetoric on China-Japan rivalry in Africa is neither justified, nor useful”,
and the politicization of economic cooperation with Africa is causing frustration,
particularly in the business community.**

Conclusion



The TICAD 7 summit (2019) could mark the end of a cycle by highlighting the Japanese government's difficulty in mobilizing a large volume of private investment in Africa over a short period of time.

The rhetoric on a rivalry with China in Africa has created expectations and misrepresented the reality of Japanese cooperation in Africa, that is based on caution and within a long-term strategy.

Therefore, Japan could revert to a more pragmatic approach, foregoing its ambitious pledges, and focusing instead on measures to build a solid investment base in Africa in the longer term.

Conclusion

Partnerships with third countries with extensive business networks in Africa.

- The next TICAD will be held in Tunisia in 2022 and is an opportunity to develop partnerships with European countries.

Encourage small and medium-sized enterprises (SMEs) and young entrepreneurs to invest.

- The digital sector, innovation and investment in African start-ups, particularly in Kenya, are also identified as promising areas for the future.

Take full advantage of the TICAD as a platform for business networking

- The establishment of a Japan-Africa permanent joint council, combining public and private actors and provided with a Secretariat, is expected to create long-lasting ties.

Engage the next generation to promote Japan-Africa relations

- Young entrepreneurs, who are less risk averse, are now the keenest to invest in Africa.
- Young JICA volunteers sent to Africa form a lasting attachment to the continent.
- The ABE initiative is expected to train more than 3,000 African youngsters in Japan



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