



GRIPS Development Forum Workshop

How can Japan effectively support economic growth in Africa? – The African perspective – Summary

Date: 25th July, 2008 (14:10 – 17:15)

Place: GRIPS Room 4A

Presenters

Prof. Dr. Kenichi Ohno (GRIPS)

Mr. J.D. Nkongolo Elumba (Sr. Research associate, GRIPS)

Prof. Dr. Sanga-Ngoie kazadi (Dean, Ritsumeikan Asia Pacific University)

Discussants

H.E. Mr. Elliy E.E.Mtango (Ambassador extraordinary and plenipotentiary of Tanzania)

H.E. Mr. Stuart H. Comberbach (Ambassador extraordinary and plenipotentiary of Zimbabwe)

Moderator: Prof. Izumi Ohno (GRIPS)

Participants: About 30 people (including the officials of African embassies, aid agencies, the private sector, researchers, and students)

Background

Supporting African growth is one of the research pillars of the GRIPS Development Forum, and from April to June 2008, we have organized a series of multi-stakeholder study meetings to deepen the discussions among a wide range of Japanese stakeholders in personal capacity. This workshop was held in order to bring the African perspective into the discussions as well as our ongoing research programme on "African Growth Initiative".

On this backdrop, the workshop was opened with two presentations from the GRIPS Development Forum, followed by another presentation from African professor, Dr. Sanga-Ngoie Kazadi. Two African ambassadors provided their comments, and then the floor was opened for discussions.

Presentations

(Please see the PowerPoint materials for details.)

"Background and issues for discussion" (Prof. Dr. Kenichi Ohno)

As a kick-off, Prof. Ohno, with his 13-years involvement in the industrial policy development process in Vietnam, stressed the importance of an open and continuous policy dialogue to enhance the capability of the government and local stakeholders during the industrial policy development process. He argued that many growth-related diagnostics, initiated by Western researchers or donors

have focused on the economic aspect without political feasibility and that addressing both economic and political considerations in the policy design is one of the key factors practiced by some successful East Asian countries. He explained that the “Dynamic Capacity Development”, which aims to improve ability through selective hands-on experience—clear goals, focused efforts, trials and errors etc.— is more encouraging and suitable for developing countries, which are under pressure to implement a wide range of difficult and complex reforms like governance.

“Fostering SMEs driven intra-African trade as key to sustainable growth in Africa—How can Japan help?”(Mr. J.D. Nkongolo Elumba)

In his presentation, Mr. Elumba, a Congolese with long experiences in the private sector, focused on the role and importance of SMEs in supporting African growth. He stressed that Africa should develop a new strategy that is really owned by the country, with highlight on SMEs development. He explained that strengthening SMEs would be crucial in consolidating the “Missing Middle” in Africa as well as promoting intra-regional trade, and suggested that we focus on their learning process rather than the quick results which are difficult to see in the short term. While acknowledging the benefits of the mega-projects on the national economy as a whole, he argued that those projects had not fostered linkage with the local economy in the past. Thus creating the synergy between them is a future challenge in Africa.

“Japan’s support to Africa’s economic growth in the age of global climate change—Challenges and opportunities” (Prof. Dr. Sanga-Ngoie kazadi)

Prof Sanga, who has been leading a research on the impact and challenges of the climate change in Africa, offered a different perspective on assisting African growth. He explained that the economic development efforts in the past had led to serious environmental problems that caused today’s global warming. and stressed that Africa should avoid making same mistakes by introducing more environmentally friendly technology from Japan and other countries. He also argued that Africa and Japan (and donors in general) should find a new paradigm for using natural resources, based on mutual profitable partnership.

Comments from African ambassadors

- Ambassador Mtango agreed on the partnership concept raised by Prof. Sanga and stressed that Japan should define their strategic interests (raw materials, market, etc.) on which they can develop a partnership with African countries. He also reminded that the regional perspective should not be overlooked when selecting a number of target countries.
- Looking back on the past TICAD processes, Ambassador Comberbach assessed that the TICAD IV was a huge success in contrast to the previous conferences which had very little achievement in terms of promoting growth. He stressed that the implementation of the Yokohama Action Plan is a challenge and that Japan should keep engaged by using various business promotion packages launched at Yokohama.

Discussions

Discussions centered on the following issues:

1) SMEs development

- All agreed on the importance of SMEs development. In addition, many African participants argued that Africa would also need to think 'Big', driven by extractive industry and national/regional infrastructure projects. The future challenge is not to choose SMEs or mega-projects, but to combine them and make the latter having multiplier effects on the national economy as a whole.
- An African participant pointed out that while the importance of intra-regional trade is obvious, Africa should also look for the global market. For this, Mr. Elumba explained that African SMEs should build their capacity step-by-step and start with targeting the regional market so as to gradually raise their technological knowledge and competitiveness. On regional economic integration, many observed that while there are some positive movements, still it has long way to go. Mr. Elumba complemented that regional integration, if succeed, would strengthen Africa's bargaining power on the WTO and other important negotiations.
- A private sector development specialist offered a different perspective on African SMEs. Noting that the "Missing-Middle" issue is a serious problem, he urged that we should ask ourselves why there are tremendous numbers of micro-entrepreneurs in Africa. He argued that many micro-enterprises had so short life cycle that they could not transform themselves into more dynamic industries seen in some Asian countries. Against this background, he suggested that Japan help African countries promote market access and regional market development and others, while re-examining the effectiveness of its TA policy on industrialization that had been basically formulated on the East Asian experiences.
- Prof. Sanga stressed that we should enter the new partnership paradigm and based on that, Japan could help SMEs by setting up joint-ventures with them. He noted that as there are many bankrupt small-scale farmers in Japan, they could possibly start a small business in DRC (Congo-Kinshasa) where there are plenty of land and resource.
- Some raised the different and difficult settings African SMEs have been placed compared to the East Asian Tigers, and asked how donors could assist them in overcome the difficulties.
- Taking all these comments, Mr. Elumba stressed that economic empowering is crucial for advancing sustainable development and that African countries should develop and own their development model that takes into account the African rules and perspectives.

2) Entering the new paradigm and looking for mutual profitable partnership

- The partnership concept, raised by Prof. Sanga, animated the debate. Prof. Sanga explained that Japan under the Tanaka administration in the 1970s had already initiated this kind of partnership with Brazil to ensure the import of soybeans. This does not mean that Africa should be confined to the raw material supplier; rather Africa should use natural resources to accelerate development and to develop an equal partnership with other developed countries. He stressed that we should enter the new paradigm and that the term 'donor-recipient country' would not be relevant in this sense.
- Against this, Prof. Kenichi Ohno argued that the proposed equal partnership is a good concept but it may not hold for Japan. He explained that there co-exist

two contradictory opinions (national interests vs. altruism) within the Japanese ODA community and that we would not act solely for national interests like the Chinese counterparts. In such context, it is more appropriate that Japan embraces the two pillars as the rationale for its engagement in Africa. Furthermore, while Japanese big investors are interested in mega-projects, Japanese SMEs are more reluctant to invest in developing countries. Especially because Japanese presence is very limited in Africa, we should look for the solution for that.

- In light of attracting the Japanese interests and investment, African ambassadors stressed the importance of appealing the Japanese interests and suggested that African countries approach Japanese investors (especially Shosha) to create a value-adding process at the country level. Prof. Kenichi Ohno noted that the Japanese investors are generally cautious and do not make investment decision from short-term consideration. He stated that using the business promotion packages, launched at TICAD IV, as well as attracting other Asian investors (China, Malaysia etc.) as an initial step are crucial in eventually involving those potential Japanese investors.