



**TRADE AND INVESTMENT BETWEEN JAPAN AND AFRICA IN  
THE CONTEXT OF FOLLOW-UP TO THE FOURTH  
TOKYO INTERNATIONAL CONFERENCE ON  
AFRICAN DEVELOPMENT (TICAD IV)**

**A PAPER TO BE PRESENTED AT THE  
2008 AFRICAN ECONOMIC CONFERENCE (AEC)  
ORGANIZED BY  
THE AFRICAN DEVELOPMENT BANK (AfDB)**

**AfDB HEADQUARTERS  
12 to 14 November, 2008  
TUNIS, TUNISIA**

**By Nicholas N. Gouede  
Programme Specialist  
TICAD/UNDP Africa Bureau  
United Nations Development Programme (UNDP)  
New York**

## ABSTRACT

### **TRADE AND INVESTMENT BETWEEN JAPAN AND AFRICA IN THE CONTEXT OF FOLLOW-UP TO THE FOURTH TOKYO INTERNATIONAL CONFERENCE ON AFRICAN DEVELOPMENT (TICAD IV)**

On the occasion of the Fourth Tokyo International Conference on African Development (TICAD IV) held from 28 to 30 May, 2008, in Yokohama, Japan, the TICAD Initiative pledged to continue its support to boost trade and investment flows with Africa. The Yokohama Declaration, Plan of Action and its Follow-up Mechanism are presented in this paper as the basis for strengthening economic cooperation between Japan and Africa in a wide range of issues, including trade and investment, with the potential to make a tangible contribution to the continent's ongoing socio-economic growth and development and make remarkable progress towards the achievement of the Millennium Development Goals (MDGs).

This paper outlines the outcome of TICAD IV, especially as it pertains to trade and investment, analyses the benefits of a sound business climate, and provides an overview and strategic orientation of trade and investment instruments in the framework of the TICAD process and under the stewardship of the Japanese Government to further boost this ever growing sector between Japan and Africa.

## I. INTRODUCTION

Africa has sustained steady improvements in democratic governance, socio-economic growth and development over the past few years. The continent's growth performance, which improved significantly from just fewer than 3 per cent in 1999 to 5.2 per cent in 2006, to a projected 6 to 7 per cent in 2008, has been quite impressive. Despite these good performances, the record of regional economic integration has been limited on the continent. Furthermore, Africa is only a modest player in international trade, 2.9 per cent in 2007, after touching a low of 2 per cent in the beginning of the 2000.

Speaking at the launch of The Africa Competitiveness Report 2007<sup>1</sup>, Donald Kaberuka, President of the African Development Bank (AfDB) said "the key to the future of African economies is trade and investment and, therefore, the business climate. Our aims at the African Development Bank are to act as a catalyst, to enhance the investment climate and to respond to demand in support of the Bank's development goals. This is achieved by rallying investors to look at opportunities in African countries differently."

On the occasion of the Fourth Tokyo International Conference on African Development (TICAD IV) held from 28 to 30 May, 2008, in Yokohama, Japan, the Government of Japan, one of Africa's most significant development partners, announced plans to enhance its development support and trade partnership with Africa. In arguing for its unflinching support to boost trade and investment flows with Africa, a package of initiatives for African development was announced, including doubling Japan's Official development assistance (ODA) to the continent to US\$ 1.8 billion by 2012 and to provide up to \$4 billion in new yen loans over the next five years to improve African infrastructure, especially roads.

Japan will also set up a \$2.5 billion fund to help Japanese firms invest more in Africa and achieve the target of doubling Japanese private-sector direct investment to the continent to US\$3.4 billion by 2012.

---

<sup>1</sup> The Africa Competitiveness Report 2007, *New Report from World Economic Forum Africa, World Bank and African Development Bank takes stock of African competitiveness*. Cape Town, South Africa.

The conference adopted the “Yokohama Declaration”<sup>2</sup>, outlining principles for advancing African development among TICAD stakeholders, as well as the “Yokohama Action Plan” and the “Yokohama Follow-up Mechanism”, laying out a road map for action-oriented initiatives with measurable targets. With the theme of ‘*Towards a vibrant Africa: continent of hope and opportunity*’, TICAD IV addressed the following priority areas: 1) boosting economic growth; 2) ensuring Human Security, including the achievement of the Millennium Development Goals (MDGs), consolidation of peace and democratization; and 3) addressing environmental issues and climate change.

The Yokohama Declaration, Plan of Action and its Follow-up Mechanism are presented in this paper as the basis for continuing to strengthen effective partnerships between Japan and Africa in pursuit of the achievement of the MDGs in Africa<sup>3</sup>, especially Goal 8, which is in reference to “Developing a global partnership for development”.

Having been closely associated with the TICAD Process for the past five years, I am delighted, indeed, to address this important topic of “Trade and Investment between Japan and Africa in the context of Follow-up to TICAD IV”, which was discussed as one of the priority areas in “Boosting Economic Growth.”

This paper outlines the outcome of TICAD IV, especially as it pertains to trade and investment, analyses the benefits of a sound business climate, and provides an overview and strategic orientation of trade and investment instruments in the framework of the TICAD process and under the stewardship of the Japanese Government to further boost this ever growing sector between Japan and Africa.

---

<sup>2</sup> TICAD IV Outcome, Yokohama Declaration. 2008. *Towards a Vibrant Africa*. Yokohama, Japan.

<sup>3</sup> Achieving the Millennium Development Goals in Africa. Recommendations of the MDG Africa Steering Group. June 2008. Published by the United Nations Department of Public Information. 08-34318-DPI/2508-7M. New York, USA.

## **II. TICAD IV FRAMEWORK FOR COOPERATION IN BOOSTING ECONOMIC GROWTH**

Africa's trade with Asia has grown dramatically since 1990<sup>4</sup>. From a very low base, trade between the two regions has increased to a level nearly even with Africa's traditional trading partners, namely the United States and Europe. Exports from Africa to Asia tripled in the last few years, making Asia, Africa's third largest trading partner after the European Union and the United States.

Although limited by country and product, trade has surged for a few big countries in Africa, including oil-rich nations like Nigeria, Angola, Sudan and metal-rich countries like South Africa and Botswana. Most of the continent's trade growth has been in oil, natural gas and metals. China's keen interest in natural resources from Africa has brought momentum to some African economies. China's total trade with Africa came to \$73.5 billion in 2007, far exceeding Japan's \$26.6 billion.

A variety of reports<sup>5</sup> indicate that Japanese investment into Africa reached US\$203 million in 2004 alone and between 2002 and 2004, Japanese foreign direct investment (FDI) in sub-Saharan Africa amounted to \$415 million, roughly 0.4% of Japan's total FDI during the period. And although Japan's trade with Africa in 2007 rose to US\$ 26.6 billion, it still only accounted for about 2 percent of the country's global trade.

Japan's Africa conference in May (TICAD IV) was the latest in a series of high-profile events illustrating growing Africa-Asia ties. In a keynote address, Tanzania's President Jakaya Mrisho Kikwete, while welcoming the announcement to double Japan's ODA in the next five years, he said there was a need for increased trade between Africa and Japan, more Japanese investment, and "more involvement and active presence and participation of the Japanese private sector on the continent". More importantly, African leaders stressed the need to take into account all countries on the African continent, and not focus the measures on South Africa and Egypt, which absorb 85% of Japanese investment on the continent.

---

<sup>4</sup> Broadman, Harry (2007), *Africa's Silk Road: China and India's New Economic Frontier*, The World Bank Group. Washington, DC, USA.

<sup>5</sup> Africa Investor (Jan.-Feb. 2007), Tokyo means business for Africa's small business, London, UK.

Addressing the sixty-third session of the General Assembly of the United Nations, H.E. Taro Aso, Prime Minister of Japan stated<sup>6</sup> that “TICAD IV called for support to accelerate economic growth. To pursue the Millennium Development Goals in a sustainable manner, and to foster health, water and sanitation, and education in Africa on the basis of human security, the concept which Japan has carefully nurtured -- three thousand people renewed their determination to achieve these goals.”

At TICAD IV, it was noted<sup>7</sup> that African Governments, recognizing the importance of trade and investment to sustainable economic growth and poverty reduction, are making efforts to promote trade and attract foreign investment, drawing on the experiences of the Asian economies. The African Union (AU), the New Partnership for Africa's Development (NEPAD) and Regional Economic Commissions (RECs) are also formulating common regional trade policies including improvements in the legal and regulatory framework and regional infrastructure, in order to promote intra-African trade and facilitate Africa's integration into the world economy.

The TICAD process aims to achieve a significant increase of trade and investment to African countries in collaboration with the private sector. Actions to be taken in the next five years involve: promoting and expanding trade; encouraging foreign investment; providing assistance to the private sector development; and promoting tourism. Promoting and expanding trade would foster providing duty-free and quota-free market access for essentially all products originating from all African least developing countries; scaling up "Aid for Trade" to increase the global competitiveness of African countries by accelerating assistance including Japan's "Development Initiative for Trade" and supporting the early, fair and balanced conclusion of the WTO Doha development Agenda negotiations; assisting product development and export promotion in Africa, by further promoting the “One Village, One Product” (OVOP) initiative; enhancing infrastructure management capacity; and providing assistance to build capacity in trade policy making and coordination mechanism.

---

<sup>6</sup> MOFA Web site. Address by H.E. Mr. Taro Aso, Prime Minister of Japan, at the Sixty-Third Session of the United Nations General Assembly  
<http://www.mofa.go.jp/policy/un/assembly2008/pm0925.html>

<sup>7</sup> TICAD IV Outcome, Yokohama Action Plan. 2008. *Towards a Vibrant Africa*. Yokohama, Japan.

Encouraging foreign investment would require providing assistance to improve the investment climate in terms of the legal and regulatory frameworks in African countries; supporting the establishment of an information and consultation platform on the business climate for private companies intending to enter into African markets; utilizing more effectively official funding sources such as investment credit, trade and investment insurance to enhance private-public partnerships (PPPs) and leverage private capital flows to Africa; providing assistance for capacity building to improve economic and corporate governance.

Providing assistance to the private sector's development would involve supporting African countries to plan and implement industrial development strategies and policies, drawing on Asian experiences as appropriate; providing technical support to improve productivity, competitiveness and business expertise in promising industries, taking into account the effectiveness of information and communication technology (ICT); expanding assistance to support the development of small and medium enterprises and local industries; collaborating with international financial institutions and regional development banks to strengthen the financial sector, including the development of local bond markets and local currency financing mechanisms; and providing technical and financial assistance to promote self-reliant utilization of energy and mineral resources.

And finally, promoting tourism would require encouraging and assisting African countries' efforts to address security, hospitality management, infrastructure and environmental constraints to tourism development including tourism training programmes; supporting tourism operators to increase familiarization with African destinations and improving knowledge of the continent and what it has to offer; and seizing the opportunity provided by the 2010 World Cup Soccer Tournament in South Africa to support long-term tourism promotion through such events as travel fairs.

### **III. PROMOTION OF TRADE AND INVESTMENT: A MAJOR FOLLOW-UP TO TICAD IV**

Creating an enabling environment for doing business in Africa gives local entrepreneurs better access to credit to grow their businesses and create jobs. This ease of doing business has the potential to attract Japanese investors.

According to the World Bank<sup>8</sup>, twenty-four countries made it easier to register property this past year. Sub-Saharan Africa has had a record year for regulatory reforms that make it easier to do business, with about 28 countries completing a series of reforms. Botswana, Burkina Faso, and Senegal are among the world's 10 reformers. Senegal, which is the continent's leading reformer, reduced business startup time from 58 days to eight, when it streamlined business registration and merged seven startup procedures into one! This resulted in an 80 per cent increase in new business registrations in the first 10 months after then reform. In other countries such as Botswana and Namibia, entrepreneurs now benefit from computerized registration systems.

Dispatching joint public-private sector missions for trade and investment to Africa was a major component of Japan's initiatives at TICAD IV. Announced by the former Prime Minister at the conference in May, it illustrates the keen interest of the Government of Japan to follow-up on the goal of boosting economic growth in Africa, which was shared by the participants in TICAD IV.

In this context, joint missions for promoting trade and investment headed by officials of the Japanese government and representatives from various corporations and banks in September 2008 visited southern Africa<sup>9</sup> (Botswana, South Africa, Mozambique and Madagascar), East Africa (Kenya, Tanzania, Uganda and Ethiopia), and West Africa (Nigeria, Ghana, Senegal, Cote d'Ivoire, and Cameroon).

Participants included such high-ranking officials as the State Secretary for Economy, Trade and Industry, Members of the House of Representatives, the Ministry of Economy, Trade and Industry, the Ministry of Foreign Affairs and representatives from five government-related organizations, namely the Japan International Cooperation Agency (JICA), Japan Bank for International Cooperation (JBIC), Japan External Trade Organization (JETRO), Japan Oil, Gas and Metals National Corporation (JOGMEC), and the Nippon Export and Investment Insurance (NEXI), along with representatives of private companies representing commerce, manufacturing, heavy industry, and finance.

---

<sup>8</sup> *Doing Business (2009)*, joint publication by the International Finance Corporation-World Bank, Washington, DC, USA

<sup>9</sup> Japan Ministry of Foreign Affairs Web site: <http://www.mofa.go.jp/region/africa/ticad/>. Tokyo, Japan.

Representatives of Japanese enterprises exchanged opinions with high-level government officials in each country and engaged in networking for the expansion of bilateral trade and investment. As a result, leaders in countries visited seized the opportunity to enhance their understanding of business expansion with Japanese companies. The joint missions also visited project sites which could be considered successful cases of cooperation between Japanese and local enterprises.

Such project site visits included the Remote Sensing Center in Botswana, which opened in July in cooperation with JOGMEC. Other site visits included the Mozal Aluminum Smelter in Mozambique, and in South Africa, a chrome ore site and a refinery of Herculon Ferrochrome, which represents the world's fourth biggest ferrochrome manufacturer and distributor.

Joint trade missions also visited the East African region<sup>10</sup> (Kenya, Uganda, Ethiopia, and Tanzania). The members of the mission were particularly impressed with the political and economic stability in the region and the close relationship some of them have with Japan especially through economic cooperation. They also shared the view that the natural resource potential in the region is expected to create business opportunities in the future. In Kenya, meetings were held with representatives from the country's private-sector companies, namely the Kenya Private Sector Alliance (KEPSA), the Kenya Association of Manufacturers (KAM), and the Kenyan Chamber of Commerce and Industry. Site visits included one of the largest food processing companies in Kenya (Kenya Nut Company Ltd.), a farm (Cyan Roses) producing cut flowers, one of the major exports of Kenya, and Sammy Africa, a local company engaged in wide-ranging business including manufacturing tires and selling tea, and a school feeding programme.

Site visits in Uganda included the renowned Phoenix facility, an organic cotton shirt manufacturing factory run by a Japanese entrepreneur for more than 40 years, and also Roofings, a local company which has been successful in manufacturing ferrous material for construction by using raw materials imported from Japan as well as a visit to

---

<sup>10</sup> Japan Ministry of Foreign Affairs Web site:

[http://www.mofa.go.jp/announce/announce/2008/9/1183717\\_1050.html](http://www.mofa.go.jp/announce/announce/2008/9/1183717_1050.html)

Uganda's first-ever large-scale industrial complex. And in Ethiopia, cut flower plantation sites, the Ethiopia Commodity Exchange (ECX) and the North-West Trunk Road that was rehabilitated with Japan's ODA. Site visits in Tanzania included a Project for widening the Kilwa Road, which is under construction with Japan's grant assistance.

The outcome of these joint missions will be fed back into the development and organization of the fifth Africa-Asia Business Forum (AABFV) scheduled for the first half of 2009. The theme will foster the development of Tourism.

#### **IV. FINANCIAL INSTRUMENTS FOR THE PROMOTION OF TRADE AND INVESTMENT BETWEEN JAPAN AND AFRICA**

The TICAD Initiative has for the past fifteen years spurred a wave of innovative activities in poverty reduction through economic growth. And TICAD foresees an unprecedented opportunity for significant collaboration in trade and investment between Africa and Asia.

Following TICAD II in 1998, a face-to-face business negotiation process between eligible Asian and African firms was organized under the TICAD Initiative through three Africa-Asia Business Fora. Two major meetings were held between TICAD II and TICAD III - one in Kuala Lumpur, Malaysia, in October 1999, drawing together 110 African and Asian business people, and the other one in July 2001 in Durban, South Africa, where over 140 participants represented over 120 African and 60 Asian companies. AABF III was held in 2004 in Dakar, Senegal. And AABF IV was held in 2007 in Dar-es Salaam, Tanzania.

Initiated by the Government of Japan under the TICAD Initiative, all AABF fora aimed at creating more favorable conditions for identifying partners in future joint ventures, and at attracting greater flows of foreign direct investment and trade between Asia and Africa. Altogether, AABF I, II, III and IV have led to business prospects worth over US\$ 300 million.

The Fifth Africa-Asia Business Forum (AABF V) will explore ways and means to enhance the role of the private sector in the economic and social development of the participating countries through increased trade and investment flows between Asia and

Africa, focusing on tourism development-related businesses. Expected outcomes include the establishment of business linkage opportunities; building capacity of SMEs and financial institutions, enhancing conducive business environment by facilitating intra-Africa trade and access to finance, and to disseminate best practices among tourism development-related businesses in Africa.

As in previous fora, the United Nations Industrial Development Organization (UNIDO) will provide technical assistance through the TICAD Exchange Network<sup>11</sup>, a Web-based network that aims at improving a comprehensive information base on trade and investment to guide the identification of new business opportunities, and providing an on-line facility for information exchange among users, including macro and micro economic indicators, data on industrial production, trade and investment policies, laws and regulations of African countries.

The importance of finance is perhaps the most critical aspect of follow-up to the AABF series. Each AABF event has resulted in a substantial number of MOUs signed. However, the momentum generated by this and the hopes of following-up on successful deals made, usually runs out of steam soon after. This is primarily due to the inability of African companies to secure financing to carry out many of the deals made.

To tackle this critical issue, a follow-up workshop to AABF IV which dealt with investment project formulation and SME financing was organized in April 2008 in Abuja, Nigeria<sup>12</sup>. The purpose of the workshop was to enhance the professional skills of SMEs participants in preparation of business plans and appraisal of investment projects as well as to enhance the ability of representatives from the banking sector to carry out risk and financial assessments of the SMEs' proposals. Participants of the workshop were SME entrepreneurs who are Alumni of the AABF as well as representatives of such banks as the Bank of Industry, Nigeria, ECOBANK Group, Access, Oceanic and Zenith Banks. Many SMEs entrepreneurs have participated in more than one of the AABF series and have established solid business partnerships with Asian entrepreneurs and entrepreneurs operating in Africa.

---

<sup>11</sup> The TICAD Exchange Network is developed and managed by the TICAD UNDP/Africa Bureau with technical support by UNIDO and fully sponsored by the Government of Japan.

<sup>12</sup> <http://www.ticadexchange.org/home.asp?menu=&ID=428&lan=en>

Participants to the investment project formulation and appraisal were trained in UNIDO's software tools in investment project formulation (CPP- Company Project Profile) and investment project preparation and appraisal (Computer Model for Feasibility Analysis and Reporting, COMFAR III) which is tested and used by more than 6,000 users around the world.

## **V. CONCLUSION**

While it was conceived during the height of the Japanese boom, the TICAD Initiative tries by and large to live up to its initial promise of supporting Africa's socio-economic growth and development. TICAD IV presented new opportunities to rekindle Japan's relationship with African countries. The Japanese business community and financial sector are beginning to show real interest in Africa. Behind this is remarkable progress in democratic governance, and most importantly, the sustained growth being experienced by many African economies, the high price of commodities as well as China's and other emerging nations' growing presence on the continent which is attracting considerable media attention.

In this context, Japan should continue to help African countries tackle many factors that prevent industrial development such as concerns about public order and insufficient infrastructure on the continent: the current education system in Africa generally does not encourage entrepreneurship as a career; inefficient legal and regulatory frameworks create unnecessary administrative bottlenecks and high costs; sadly, a paradigm of entrepreneurship as the expectation is that big business, government and others should create jobs.

Trade and investment between Japan and Africa hold great promise for Africa's socio-economic growth and development. As the world's second largest national economy, Japan needs to vigorously re-position itself with regard to financing for the development of African SMEs. The US\$1 billion extended to the AfDB under the aegis of the Enhanced Private Sector Assistance (EPSA) initiative for Africa, which supports the AfDB's private sector development strategy, needs to be tapped into in order to boost the momentum for African growth and SMEs development.

UNDP had initiated negotiations with the Ministry of Foreign Affairs, Japan's

Multilateral Cooperation Bureau, JBIC as well as AfDB itself to come up with a viable and flexible financing mechanism in light of AfDB's management of these funds. It is hoped that Japan will vigorously work with the AfDB for the quick disbursement of these funds on behalf of African SMEs and a successful outcome of the EPSA initiative. The AABF series, as an important mechanism of the TICAD Initiative, has generated much interest since its inception. With better access to financial services on the part of micro-enterprises and SMEs, this laudable initiative has the potential to make an important contribution to enhancing intra-Africa trade, including agri-enterprises for stimulating rural economies and fortifying a nascent private sector on the continent.

### **References**

The Africa Competitiveness Report 2007, *New report from World Economic Forum Africa, World Bank and African Development Bank takes stock of African competitiveness*. Cape Town, South Africa.

TICAD IV Outcome, Yokohama Declaration. 2008. *Towards a Vibrant Africa*. Yokohama, Japan.

Achieving the Millennium Development Goals in Africa. Recommendations of the MDG Africa Steering Group. June 2008. Published by the United Nations Department of Public Information. 08-34318-DPI/2508-7M. New York, USA.

Broadman, Harry (2007), *Africa's Silk Road: China and India's New Economic Frontier*, The World Bank Group. Washington, DC, USA.

Africa Investor (Jan.-Feb. 2007), Tokyo means business for Africa's small business, London, UK.

MOFA Web site. Address by H.E. Mr. Taro Aso, Prime Minister of Japan, at the Sixty-Third Session of the United Nations General Assembly  
<http://www.mofa.go.jp/policy/un/assembly2008/pm0925.html>.

TICAD IV Outcome, Yokohama Action Plan. 2008. *Towards a Vibrant Africa*.  
Yokohama, Japan.

*Doing Business (2009)*, joint publication by the International Finance Corporation-  
World Bank, Washington, DC, USA.

Japan Ministry of Foreign Affairs Web site: <http://www.mofa.go.jp/region/africa/ticad/>.  
Tokyo, Japan.

Japan Ministry of Foreign Affairs Web site:  
[http://www.mofa.go.jp/announce/announce/2008/9/1183717\\_1050.htm](http://www.mofa.go.jp/announce/announce/2008/9/1183717_1050.htm) Tokyo, Japan.

The TICAD Exchange Network is developed and managed by the TICAD  
UNDP/Africa Bureau with technical support by UNIDO and fully sponsored by the  
Government of Japan

<http://www.ticadexchange.org/home.asp?menu=&ID=428&lan=en>