



# India and Japan's Strategic Opportunity in Africa: The Asia Africa Growth Corridor (AAGC) Initiative

The Asia Africa Growth Corridor (AAGC) initiative is a collaborative effort by India and Japan to help address growth and development constraints in Africa. The region, comprising 54 very diverse countries, accounts for one-sixth of the global population of 7.6 billion; and about 5 per cent of global GDP in Purchasing Power Parity (PPP) terms. It is a resource-rich continent, with considerable potential for growth as it catches up with the knowledge base, technology, and organisational effectiveness with the rest of the world. Africa thus has a potential for becoming a significant global growth node in the coming decades.

This brief explains the AAGC initiative, and suggests that there is urgency in operationalising it to suit each individual African country, and implement specific projects appropriate for a given context and conditions.

## The AAGC Initiative

The concept of AAGC first emerged in the joint declaration issued by PM Modi of

India and his Japanese counterpart Shinzo Abe in November 2016. As part of the “Special Strategic and Global Partnership” and the “Japan and India Vision 2025”, both countries resolved to work together for “Peace and Prosperity of the Indo-Pacific Region and the World”. The AAGC progressed towards a more concrete form during the 52nd Annual African Development Bank (AfDB) meeting held in Gandhinagar, Gujarat, India during May 22-26, 2017. It underscored India and Japan’s willingness to partner in Africa’s growth and development. A Vision Document was prepared jointly by three think tanks such as the Research and Information System for Developing Countries (RIS), New Delhi (India), IDE-JETRO, Tokyo (Japan) and Economic Research Institute for ASEAN and East Asia (ERIA), Jakarta in consultation with the African think tanks. India and Japan became members of AfDB in 1983 and in 1982 respectively. Both countries thus have long standing engagement with Africa and its growth and development challenges.

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The initiative comprises four pillars: *development and cooperation projects, quality infrastructure and institutional connectivity, enhancing capacities and skills, and people-to-people partnership*. A distinguishing characteristic of the initiative is the emphasis on people-to-people partnership through a process of detailed consultations across Asia and Africa, engaging governments, firms, think-tanks and civil society.

To progress towards creating a “free and open Indo-Pacific region”, the AAGC envisages rediscovering ancient sea routes and creating new sea corridors that will link the African continent with India and countries in Southern Asia. As an example, there are plans to connect ports in Jamnagar (Gujarat) with Djibouti in the Gulf of Eden; ports of Mombasa and Zanzibar will be connected to ports near Madurai and Kolkata will be linked to Sittwe port in Myanmar.

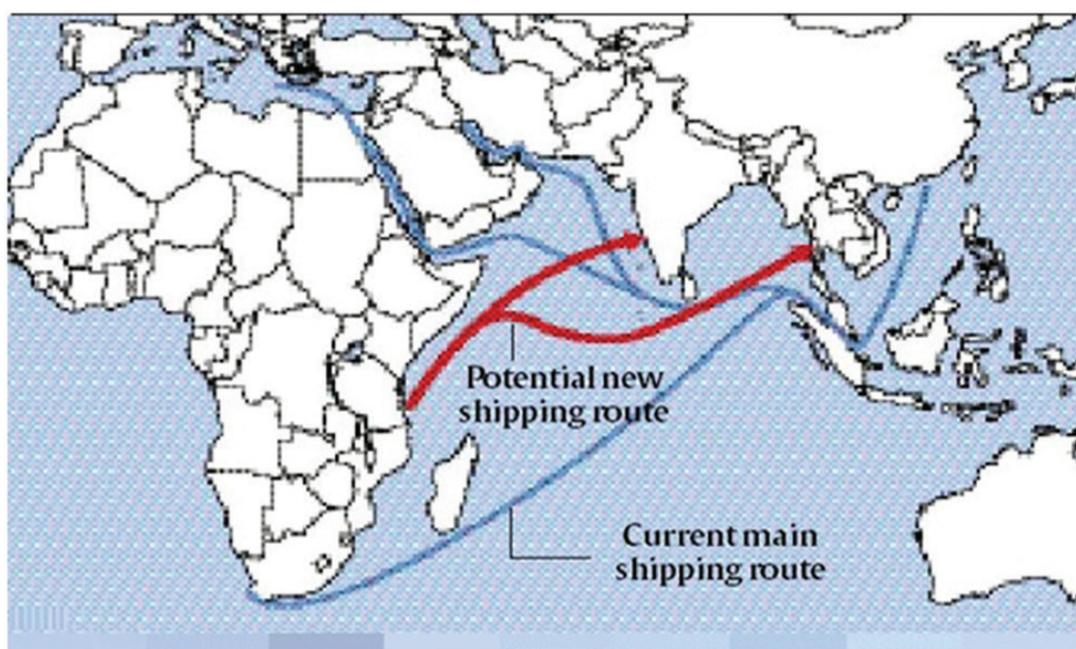
India’s *Sagar Mala* initiative involving port modernization and new

port development, port connectivity enhancement, port-linked industrialisation and coastal community development, complements the AAGC initiative, and may have implications for designing and implementing projects under it. Apart from sea corridors, the AAGC also proposes to build industrial and transport infrastructure among countries in Asia and Africa so as to further integrate and form a globally competitive economic bloc. Thus it also complements India’s Act East Policy.

### Africa in India and Japan’s Strategic Considerations

India and Japan have expressed determination to utilise complementarities to broaden and deepen their relatively modest engagement with Africa in trade and investment. India’s bilateral trade with Africa was only around USD 50 billion in 2015-16; while that of Japan was only about USD 20 billion in 2015. In 2014, FDI stock in Africa was only USD 10 billion for Japan, less than that of India at USD 15 billion.

Figure 1: AAGC Sea Corridor



Source: The Hans India.

Japan's engagement with Africa has been primarily aid driven. In 1993, Japan had established the Japan-Africa forum through the International Conference on African Development. Until the Tokyo International Conference on African Development (TICAD) IV in 2008, Japan's relationship with Africa essentially emphasised grants and technical aid which was disbursed and managed by the Japan International Cooperation Agency (JICA).

A shift in Japan's engagement with the region was clearly visible during the Sixth TICAD, which for the first time in its 23-year history was held on African soil in Nairobi. The theme of the conference was "Quality and Empowerment", focussing on infrastructure and development in Africa. During the speech, PM Abe alluded to the idea of building a "quality Africa" centred on infrastructure, human resources and the Japanese concept of "Kaizen" (business efficiency). Empowerment of Africa for PM Abe is more than just economic opportunity. He envisions an Africa that is stable, secure and assertive of its rightful place in the world where Japan would like to play a role in its empowerment and enhanced global status.

Among Japan's strengths are its world-class technical expertise and technological leadership in several areas; considerable experience in aid design and management and; in constructing and managing quality infrastructure projects. There are complementarities between Japan and India. According to the Japanese ambassador to India, Kenji Hiramatsu, Japanese companies are making moves to 'utilise the personnel networks developed by India to make inroads by Africa'. India has a long history of connectedness with countries and societies in the African continent. The presence of the Indian diaspora (the official sources suggest that there are nearly 3 million overseas

Indians in Africa), maritime contiguity and common history of colonialism and support for anti-colonial movements in Africa have contributed to this connectedness.

India aims to improve household welfare in African countries, and to address social sector constraints in Africa. Thus, India has awarded thousands of scholarships to students from Africa under the Indian Technical and Economic Cooperation (ITEC) programme over a long period. In 2006, India launched its flagship aid initiative in Africa, the Pan-African e-Network, a USD125 million initiative and the continent's largest tele-education and telemedicine initiative. The network links 47 African countries with schools and hospitals in India through satellite and fibre-optic links.

Indian firms have an investment presence in the region with energy, telecommunication and infrastructure projects making inroads in Africa. Relations with Africa have assumed an even greater importance with PM Modi labelling the region as a 'top priority' in India's foreign and economic policy. He has focused on forming a 'model of cooperation' with Africa which is "demand-driven and free of conditions". India looks towards forging cooperation with the African countries as an active development partner and collaborator rather than simply as provider of aid. This Indian approach characterizes PM Modi's Africa policy. Similarity between PM Modi's and PM Abe's approaches to Africa augurs well for operationalizing the AAGC.

### **India-Japan Complementarities in AAGC**

What sets apart the AAGC from other connectivity and infrastructure building initiatives is the decisive shift in looking at Africa from a poor aid dependent region to an equal collaborative player. Both India and Japan would like to see a developed Africa and

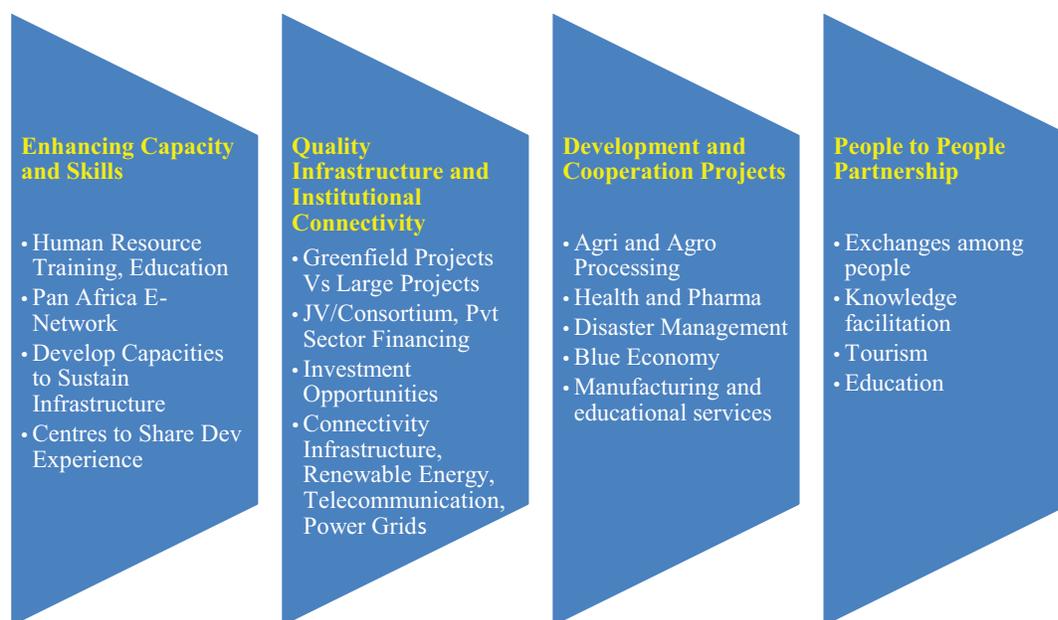
play active role towards this goal. Africa's development as consultative, egalitarian and win-win cooperation between India, Japan and Africa is envisaged. The India-Japan Global Partnership (IJGP), initiated in the year 2000 by then Prime Minister Atal Bihari Vajpayee of India and Prime Minister Yoshiro Mori of Japan with the theme 'Micro Road Map for the Macro Vision' could be a useful forum to operationalise AAGC. The IJGP Summit to be held in New Delhi from 11-14th December, 2017 will focus on the "power of the collective" for a more responsible development model in Africa. India and Japan recognise the need to utilise their complementary strengths to successfully implement the AAGC. Their efforts will focus on the key pillars of the AAGC (Figure 2)

India's main efforts in Africa have been focused on 'enhancing capacity and skills', contributing in capacity building and development of social sector through several unique programmes like the Pan Africa e-Network. The AAGC

initiative aims to contribute towards African countries progressing towards the Sustainable Development Goals (SDGs) adopted by the United Nations in January 2016. The AAGC Vision Document states that India's experiences in pursuing the current development philosophy of *Sabka Saath Sabka Vikas*-Collective Action for Inclusive Growth fits well with the holistic developmental path envisaged for the African region. The AAGC will have a strong influence of India's constructive roles in "shaping the global agenda for sustainable economic development and international cooperation based on the principles of solidarity, equity and sharing".

India's initiatives in affordable clean energy (*Pradhan Mantri Ujjwala Yojana (PMUY)*), centralized identification programmes (*Aadhaar*) to facilitate easier identification of potential beneficiaries of development programmes, the *Jan-Dhan Yojna*, the national financial inclusion scheme which ensures direct financial transfers into the beneficiary's bank account,

**Figure 2: Key Pillars of AAGC**



Source: RIS, ERIA and IDE-JETRO (2017).

are other examples where the AAGC can benefit from India's experiences in building a sustainable development model for Africa. To enhance economic development, India's initiatives like "Digital India", "Skill India", "Smart City", "Swacch Bharat" and "Start-Up India" could be suitably modified and incorporated in some of the AAGC projects.

India has introduced several innovative and coherent development initiatives with relevance for African countries. Its large human-resources base complements Japan's already hyper-aged society, with population over 65 years accounting for 26.5 percent of the total in 2015. India is a low middle income country, with its knowledge and technological base in many areas considerably below that of Japan and other advanced countries. In 2016, its GDP per person was two fifths of the global average of USD 16143, while that of Japan was 257 Percent of the global average. Japan's larger and long standing aid and infrastructure development program, and its technological leadership, combined with India's connectedness, human resources base, and relatively successful development initiatives in several areas, including financial inclusion and social protection, dairy sector, renewable energy, and government program benefits delivery can be combined to design AAGC Projects and obtain desired outcomes

Kenji Hiramatsu, Japan's ambassador to India indicated at the 8<sup>th</sup> Vibrant Gujarat Global Summit held in January 2017 that Japan would like to combine the already existing Indian business knowledge and experience of operating in the African market with Japanese technologies and financing capabilities. This is how collaboration and cooperation in Africa, by using the comparative strengths of India

and Japan can create a win-win scenario in the region. Japan has already been providing development assistance loans under the Quality Infrastructure Initiative along with substantial amount of lines of credit to African countries from the Indian side. Japan has announced that it will commit about USD 200 billion to the proposed AAGC, while India is working on its investment plans.

PM Abe and PM Modi's personalised diplomacy has heralded a refreshingly positive diplomatic dynamics in Asia. Common democratic principles, consensus on an open and rule-based Indo-Pacific region, focus on constructive and growth-oriented governance and management of the political economy, and a vision for improving connectivity between Asia and Africa are the foundations for interactions between the two leaders and their respective countries. PM Abe's re-election in Japan in October 2017 has facilitated continuity in India-Japan strategic and economic partnerships in the Indo-Pacific region as well as globally. A long-term sustainable and fruitful partnership between India and Japan has the potential to benefit the Indo-Pacific region and contribute to addressing Africa's development challenges.

There is however urgency in operationalizing the India-Japan AAGC initiative. This would require relatively quickly implementing joint projects (or at least cooperating on existing projects of India and Japan) with measurable and relatively rapid impact in improving household welfare. While African continent has potential, individual African countries face several challenges, including in Agriculture (the AfDB's 2017 Annual meetings focused on the theme

of “Transforming Agriculture for wealth Creation in Africa”) which need to be addressed as soon as possible, with relatively early positive measurable impact.

Another reason for the urgency is that there are other countries such as China (with its One-Belt-One Road (OBOR) initiative), the USA, and the European Union who are also actively engaged with the African countries to expand their economic and strategic space. Chaturvedi (2017) has explained that there is no competition across these initiatives. The AAGC initiative of India-Japan will thus need to impact positively on the perceptions of individual African country’s political, economic, and societal leadership that the projects and activities under AAGC would help them to address their development challenges.

It is strongly suggested that India, Japan, and the AfDB set up a joint group to design, implement, and monitor projects under the AAGC initiative, with regular communication on the progress and impact of the projects. Encouraging design of innovative but feasible and outcome-oriented programs and projects also merits consideration.

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