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**TICAD Framework to Strategic Collaboration in
Trade and Investment between Africa and Asia**

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**THE TOKYO INTERNATIONAL CONFERENCE ON
AFRICAN DEVELOPMENT (TICAD) FRAMEWORK FOR
STRATEGIC COLLABORATION IN TRADE AND INVESTMENT
BETWEEN AFRICA AND ASIA**

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ABSTRACT

TICAD FRAMEWORK FOR STRATEGIC COLLABORATION IN TRADE AND INVESTMENT BETWEEN AFRICA AND ASIA

The TICAD framework for strategic cooperation in trade and investment between Africa and Asia is presented in this paper as the basis for enhanced partnership as spelled out in the Millennium Development Goal 8 for the promotion of African Small and medium-sized Enterprises (SMEs). The paper outlines the outcome and lessons learned from the Fourth Africa-Asia Business Forum (AABF IV) held from 12 to 14 February 2007 in Dar es Salaam, Tanzania, provides a succinct overview of past AABF for a and an analysis of the strategic orientation of the AABF series, including support for financing African SMEs and women's increased participation in international trade and investment.

I. INTRODUCTION

I would like to thank the African Development Bank (AfDB) and the United Nations Economic Commission for Africa (UN-ECA) for inviting me to take part in the African Economic Conference (AEC), a conference aimed at providing a forum for exchange of ideas among African economists and policymakers with a view to improving access to information and research on economic development issues affecting the region. Having worked during the past few years as Programme Specialist of the Tokyo International Conference on African Development (TICAD), I am delighted, indeed, to address the topic of the "TICAD Framework for Strategic Collaboration in Trade and Investment between Africa and Asia".

Trade is one of the most effective engines of socio-economic growth and development in the world. In today's global markets of fast and often unforeseeable change, Africa's exports are predominantly primary commodities, which account for more than two-thirds of all exports. Crude oil represents the continent's single largest exported product. Many African countries export mineral and mining products as well as agricultural and fishery products whereas other countries are exporters of manufactured products, most notably textiles and apparel.

As far as its imports profile is concerned, transportation and communications equipment are among the continent's major imports along with food products. According to the World Bank¹, African import data show that the increasingly industrialized countries in Africa have emerged as part of the global supply chains in their respective sectors. African exports to Asia have grown rapidly in the past decade and accounted for 14.2 % of total Africa's exports in 2000 from 7.7% in 1990.

In this context, Asia has emerged as an important partner in Africa's trade and investment. It is worth recalling here that since the first TICAD conference was held in 1993, trade between Asia and Africa has grown dramatically, although it is still small compared to Asia's overall levels of trade and the potential it holds. Of Africa's total export earnings estimated at about US\$134 billion per year (2001–2003 average), 15 percent come from sales to Asia. The rate of increase in export values to Asia -- about

¹ Toshihiro Toyoshima, Yutaka Yoshino, Chad Leechor (2004), *Patterns of Africa-Asia Trade and Investment: Potential for Ownership and Partnership*. The World Bank Group. Washington, DC, USA.

10 percent per year -- has been higher than the comparable rates for the European Union or the United States.

Over the same period, Asia's developing economies have significantly increased their imports from African countries. In the case of China, now the world's fourth largest economy only after the United States, Japan, and Germany, the second largest consumer of energy in the world, and Africa's third largest trading partner investing close to US\$1 billion a year, about 30% of its oil and gas imports are from sub-Saharan Africa. It is worth noting that China, the world's most populous nation and the largest developing country in the world, has over the past few years ushered in a new era of relations with African countries. Chinese customs statistics point out that China's trade with Africa increased from approximately US\$1 billion to US\$4 billion from 2001 to 2005. And trade between India and Africa has also soared from \$890m in 1991 to \$6bn in 2004.

An analysis of the Foreign Direct Investment (FDI) of several Asian countries in Africa shows that relations between Asian investors and host countries in Africa are deeply motivated by trade. It is worth noting that Asian investment in Africa takes three forms with the first type being investment targeted to products to be sold to Asia (i.e. natural resources and processed raw materials), the second type targeting Africa's domestic markets (such investment has been constrained by the small size of local markets and the high transaction costs resulting from a lack of efficient infrastructure), and the third investment type targeting the global market, typically the European Union or the United States. Chinese and Indian foreign direct investment grew in the last five years² with China's amounting to US\$1,18 billion by mid-2006.

Japan has demonstrated, in an unequivocal manner, its openness and willingness to play an even greater role in Africa's development. Japanese investment into Africa reached US\$203 million in 2004 alone and Japanese investors have been involved in a number of significant deals³ in African countries, including Mitsubishi Corporation in Mozambique, Japan's Oil Gas and Metals National Corporation in Libya, and Oji Paper Company Ltd., one of Japan's major paper and pulp manufacturers, in Tanzania. It is worth noting here that Japan, which still funnels the bulk of its investment into non-

² Harry Broadman (2007), *Africa's Silk Road: China and India's New Economic Frontier*, The World Bank Group. Washington, DC, USA.

³ Africa Investor (Jan.-Feb. 2007), *Tokyo means business for Africa's small business*, London, UK.

manufacturing, is developing niche investments such as Sumitomo Chemical's plan to increase production of its anti-malaria mosquito nets in Tanzania. South Africa is a key trading partner especially for cars. Last year, Isuzu Motors announced plans to invest in the country in a joint venture with General Motors.

Having assumed office in September 2006, Prime Minister Shinzo Abe of Japan indicated at a joint session of the Japanese Diet, that Japan would continue supporting Africa through the TICAD Initiative and that the new Government was committed to Africa and viewed strengthened partnerships with African countries as a priority. As a matter of fact, at the first ministerial meeting on the Fourth TICAD global conference held in August 2007, PM Abe said, "I would like to take TICAD IV as an opportunity to set future direction of African development looking ahead to the next five to ten years. I would also like to announce Japan's initiative on African development at TICAD IV."

Trade data indicate the existence of a significant potential for expanding trade and investment relations between Africa and Asia. To make remarkable progress in such trade and investment expansion, innovative initiatives such as the TICAD Process must be strengthened in order to enhance strategic dialogue between African and Asian countries and to raise awareness about merging opportunities among businesses in the two regions.

Building on the "TICAD Framework for Strategic Collaboration in Trade and Investment between Africa and Asia" is presented in this paper as the basis for enhanced partnership in pursuit of the achievement of the Millennium Development Goals (MDGs) in Africa⁴, especially Goal 8 of the MDGs, which is in reference to "Developing a global partnership for development".

The paper outlines the outcome and lessons learned from the Fourth Africa-Asia Business Forum (AABF IV) and provides a succinct overview of past AABF fora and an analysis of the strategic orientation of the AABF series, including support for financing African SMEs and women's increased participation in international trade and investment.

⁴ Africa and the Millennium Development Goals. 2007 Update. Published by the United Nations Department of Public Information. DPI/2458. New York, USA.

II. TICAD FRAMEWORK FOR COOPERATION IN TRADE & INVESTMENT

TICAD was launched in 1993 to promote high-level policy dialogue between African leaders and development partners⁵. It has since evolved into a major global framework to facilitate the implementation of initiatives for promoting African development under the principle of African “ownership” and international “partnership”. A central feature of this framework is the cooperation between Asia and Africa.

TICAD enjoys the joint support of co-organizers, namely the Government of Japan, *the Global Coalition for Africa (GCA)*, the United Nations Office of the Special Adviser on Africa (UN-OSAA), the United Nations Development Programme (UNDP), and the World Bank. Its stakeholders include all African countries and development partners, including Asian countries, other donor nations, international agencies, civil society organizations and the private sector. TICAD's co-organizers work together to keep Africa's development agenda in the forefront of the world's attention.

The TICAD process has significantly contributed to the mobilization of the international community's interest in African development. The first conference (TICAD I) took place in 1993. The co-organizers were determined to reverse the decline in development assistance for Africa, which had followed the end of the Cold War. Participants adopted the Tokyo Declaration on African Development, committing to the pursuit of political and economic reforms in Africa, increased private sector development, regional cooperation and integration, and the harnessing of Asian experience for the benefit of African development.

Held in 1998, the second conference (TICAD II) renewed the commitment to Africa's development challenges with poverty reduction and integration of Africa into the global economy as a primary theme culminating in the adoption of the Tokyo Agenda for Action (TAA). The TAA outlined a framework of cooperation and underlined the need to adopt specific goals and targets in such critical areas as human development, including education and health; economic development, including private sector development and agriculture; and foundations of development such as governance, conflict prevention and consolidation of peace.

⁵ TICAD/UNDP Africa Bureau. 2005 brochure. *Forging Strategic Partnerships for Africa's Development*. New York, USA.

In 2003, the third conference (TICAD III) made an explicit commitment for TICAD to support the African Union's (AU) New Partnership for Africa's Development (NEPAD), a blueprint for Africa's socio-economic growth and development. TICAD III was held in Tokyo with high-level participation of African leaders, including 23 heads of State, and 10 heads of international organizations. It was heralded as one of the largest international conferences on African development. A political statement TICAD 10th Anniversary Declaration that renewed the commitment of leaders for African development was adopted at the conference.

A major follow-up to TICAD III, the Asia-Africa Trade and Investment Conference (AATIC) was held in Tokyo in November 2004 and promoted the idea of "Poverty Reduction through Economic Growth" as well as "Asia-Africa Cooperation". The Japanese Government proposed four key concepts at AATIC: 1) "Formulation of an appropriate policy" for establishing an industrial foundation; 2) "Product development" with a focus on improving quality to increase competitiveness; 3) "Empowerment of small and medium-size local enterprises (SMEs)" generating income and employment in local communities; and 4) the "Promotion of a social contribution by private enterprises" prompting equitable growth.

The fourth conference (TICAD IV) in 2008 will seek to mobilize efforts by the international community to assist Africa to continue to make remarkable progress towards peace, stability and prosperity.

III. AFRICA-ASIA BUSINESS FORUM (AABF)

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 qualified selected 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.

Initiated by the Government of Japan under the TICAD Initiative, the AABF series was designed as a South-South initiative where the Asian experience (both economic successes and failures), coupled with the increasing level of business interests in Africa by Asian companies, could represent a significant and viable business development opportunity of mutual benefit to both regions. 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 have led to business prospects worth over US\$100 million.

Past AABF fora demonstrated an increasing demand from African companies for improved manufacturing capacity through the acquisition of better equipment and technology to, some extent, maintain costs of production at profit levels. Examples of past fora, particularly AABF I and AABF II, demonstrated that comparable equipment provided by internationally reputable companies such as UNILEVER, General Electric, among others, were made available through AABF at far better prices with equivalent capacity and efficiency by some Asian companies.

Now that global economies are becoming more harmonized in packaging of products, quality standards and services being offered through the over-arching role of the World Trade Organization (WTO), for many African companies, the fledging nature of their businesses and their increasing desire for expansion into foreign markets have made the AABF fora an attractive platform to explore ways and means to meet their business development objectives.

Against this backdrop, the Fourth Africa-Asia Business Forum (AABF IV) was the continuation of this business linkage series aimed at injecting a significant role of the private sector in transforming Africa's economic and social development in an increasing global competitive business environment.

IV. OUTCOME OF AFRICA-ASIA BUSINESS FORUM IV (AABF IV)

AABF IV was held from 12 to 14 February, 2007, in Dar es Salaam, United Republic of Tanzania, back-to-back with a Small and Medium-sized Enterprises (SMEs) Financing Symposium organized from 14 to 16 February, 2007, by Technonet Africa, which is supported by UNDP's South-South Cooperation Unit. This was the first time in the series of AABF that all TICAD Co-organizers, along with the United Nations Industrial Development Organization (UNIDO) and the Government of Tanzania, actively participated in the preparatory process. It was noteworthy that the Government of Japan was represented by the Vice Minister for Foreign Affairs Hon. Hamada and the host Government, by President Kikwete himself.

UNIDO provided technical assistance through the TICAD Exchange Network⁶, 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.

It was the first Forum that companies from Japan and North Africa participated in the AABF series. An invitation was also extended to the African Diaspora for the first time through Business Action for Africa, a London-based international network of businesses and business organizations from Africa.

A presentation by the 3J, namely the Japan International Cooperation Agency (JICA), the Japan Bank for International Cooperation (JBIC) and the Japan External Trade Organization (JETRO), which focused on the "One Village One Product" Initiative, a Power Lunch hosted by Standard Chartered Bank and organized by the Tanzania Private Sector Foundation, and a presentation by the Japan Bank for International Cooperation and the Foundation for Advanced Studies on International Development (JBIC/FASID) on the outcome of a research study on industrial clusters, drew a large audience. The exhibition booths that participants purchased for display and sales of their merchandise including Sumitomo Chemical's complimentary mosquito nets also drew a large

⁶ 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.

audience, including President Kikwete himself, and gave the Forum a “market-place” atmosphere.

Two hundred and sixty nine (269) companies -- 228 from Africa and 41 from Asia -- completed the Forum Application Forms. After a rigid screening process, 212 business people representing 160 companies participated in AABF IV. The participation consisted of 130 African companies from 17 countries, and 30 Asian companies from 7 countries. The African companies came from the following countries: Benin, Burundi, Cameroon, Congo (Republic of), Côte d'Ivoire, Egypt, Ethiopia, Kenya, Malawi, Mauritius, Nigeria, Rwanda, South Africa, Tanzania, Uganda, Zambia, and Zimbabwe, whereas the Asian companies were from China, India, Japan, Pakistan, Singapore, Sri Lanka, and Thailand. About 20% of all the participants were women. There were approximately 15 women-led companies, including a significant number from Zimbabwe.

AABF IV registered a total of one hundred and eighteen (118) Memoranda of Understanding (MOUs)⁷. Eighty (80) of the MOUs had values totaling US\$152.3 million, a little less than the US\$152.9 million in declared value of the three previous combined AABF fora. The estimated value of the MOUs, which did not have declared value totaled more than US\$42 million, and if this was added to the declared value, the outcome of AABF IV would have by far surpassed the declared value of the three previous combined AABF fora.

The majority of deals were overly trade-oriented. Sixty three percent (63%) of the deals signed were exclusively a trade alliance. Approximately 10% (11) of the deals were exclusively investments. Several deals were a combination of trade with investment, trade with technology and investment with technology transfer. The Africa-Asia context within the AABF series must therefore increase the likelihood of this type of alliance outcome. To do so, however, may require a more targeted forum with smaller participation levels.

A sectoral analysis revealed that Agro-processing was the sector with the highest number and value of MOUs followed by Pharmaceuticals and Chemical Products,

⁷ Final Report on the Fourth Africa-Asia Business Forum (AABF IV), 12-14 February 2007, Dar es Salaam, Tanzania. New York, USA.

Textiles/Garments, and Chemical Products. Twenty-three (23) out of 118 MOUs involved both trade and investment projects whereas 73 MOUs solely dealt with trade and 10 with investment. Sixty-nine (69) MOUs stated the need for financing out of which 23 deals identified potential financing sources.

It is worth noting that Africa-Asia and intra-Africa deals split the MOUs 50:50. Africa-Asia deals were valued at US\$88.1 million from 58 MOUs. The intra-Africa deal value was US\$64.3 million from 57 MOUs. Some Intra-African deals were joined by Asian companies making it a unique tripartite cooperation. Tanzanian companies' deals, which represented 52% of the total value, were valued at US\$79.6 million from 40 MOUs and the deals from Pakistani companies represented 83% of the Asian MOUs with values worth US\$ 73.1 million.

For the first time in the AABF series, Japanese companies were extended an invitation. The decision was made in recognition of the sizable presence of Japanese companies doing business in Africa and the organizers seeking to expand opportunities for investment in Africa through targeted Japanese industries such as Mining and Energy, among others. 10 Japanese companies participated of which 5 signed MOUs. The Japanese companies' deals were valued at US\$8.5 million from 10 MOUs with the largest deal worth US\$6.5 million in the energy sector with Rwandese company.

The intra-Africa dimension of AABF IV was an impressive result that emphasized the importance of its increasing relevance in future events and required a strategic follow-up to nurture deals made and bring them to successful fruition.

AABF IV was able to attract several commercial banks such as Standard Chartered Bank of Tanzania, the Bank of Industry of Nigeria, the Kingdom Bank (Zimbabwe and Tanzania), and the Bank of Tokyo (Johannesburg branch). In addition, the International Finance Corporation (Nairobi office) attended AABF IV.

The role of the private sector as well as multilateral and bilateral assistance in developing countries often encourage efforts for increased participation of women-led companies in trade and investment. AABF IV was the most successful in meeting this objective, attracting 15 women-led companies and about 20% of the participants being women.

There is potential to effectively reduce poverty by supporting local entrepreneurship and business initiatives by women. Established by the Government of Japan in 1995 under the TICAD Initiative, the Japan Women in Development Fund (JWIDF) supports UNDP's efforts to promote the empowerment of women. Its purpose is to build women's capacities through innovative project initiatives in the areas of education, health, economic and social participation. Many country-based, regional, and global projects have received funding through the JWIDF, including South Africa, Tanzania and Rwanda.

One concrete income-generating activity under the Government of Japan's "One Village One Product" initiative, which aims to promote rural development by encouraging signature products particular to a locality, is the shea butter soap makers in the northern town of Tamale in Ghana where local women have just got their finished products into novel Japanese shops.

V. ESTABLISHING A FINANCING FACILITY

The importance of finance is perhaps the most critical aspect of follow-up strategic plans to the AABF series. So, it is most significant that AABF IV was held as a back-to-back event with the SME Financing Symposium, managed and coordinated by the South-South Cooperation Unit of UNDP. The SME Financing Symposium attracted several banks and finance experts, including the Bank of Industry (Nigeria) and Kingdom Bank (Tanzania and Zimbabwe). The synergies between the AABF IV and the SME Financing Symposium were intended to develop mutuality of purpose and results.

Establishing a Financing Facility to meet the funding needs of African SMEs in the aftermath of AABF IV poses a great challenge. 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 fact that financing is unavailable to assist African partners in meeting their obligations under the deals as well as the inability of African companies to secure financing to operationalize many of the deals made.

Findings show that the problem lies with the commercial banking sector in Africa not

being in an accommodating position to most business financing needs.

The Government of Japan, under its Enhanced Private Sector Assistance (EPSA) for Africa, has allocated funds to be administered by the African Development Bank (AfDB) for private sector development. It was agreed by the organizers of AABF IV to develop a proposal for a Financing Facility to be sourced from the AfDB in light of its management of Japanese funds under the EPSA for Africa.

The argument used for Japan's support is that the government of Japan is the primary contributor to AABF under the TICAD umbrella, and the AABF is an excellent representative initiative of the South-South dialogue that should qualify under EPSA. The Financing Facility would have flexible and reasonable terms and conditions, and managed by a project team that is tasked with the review, monitoring and management of the deals that qualify for financing from the facility. An initial level of US\$10 million has been proposed with an additional US\$2 million. The Financing Facility is ever more important as the analysis indicates that 75% of the deals from AABF IV need financing.

UNDP has initiated negotiations with the Ministry of Foreign Affairs, JBIC as well as AfDB to come up with a viable financing mechanism as a concrete follow-up to AABFIV. The proposal has been favorably received by the Government of Japan and UNDP is coordinating efforts to bring the proposal to fruition.

VI. CONCLUSION

Trade and investment between Africa and Asia hold great promise for Africa's socio-economic growth and development. However, a wide range of policy reforms in both regions are needed, including elimination of Asian tariffs on Africa's leading exports as well as elimination of Africa's tariffs on certain inputs that make its own exports uncompetitive, reforms to improve Africa's basic market institutions, trade facilitation infrastructure to decrease transactions costs such as customs bureaucratic administration, transport and communication, reforms to improve corporate governance and inculcate a culture of corporate social responsibility, and reforms that foster linkages between investment and trade to allow participation of African businesses in modern global production-sharing networks generated by Asian investments in Africa.

The AABF series, as an important feature of the TICAD Initiative, has generated much interest since its inception. But beyond the Memoranda of Understanding (MOUs) signed and the networks established, the event has been plagued by the inability of African companies to secure financing to operationalize many of the deals made during the fora. Efforts to establish a Financing Facility to be sourced from the AfDB in light of its management of Japanese funds under the EPSA for Africa, must be pursued vigorously.

In parallel to this, Africa and Asia trade and investment analysts are urged to call for trust and confidence-building between African business leaders themselves who must use their diversity and comparative advantages to promote business and to encourage investment that can generate employment and have a positive spill-over effect on supporting the burgeoning local industry. AABF IV has the potential to make an important contribution to the increased role of the private sector in Africa.

Such a contribution by AABF, which represents an important component in the preparations for TICAD IV scheduled to be held from 28 to 30 May in Yokohama, Japan, would be its transformation from an event to a process. This strategy would incorporate a reliable and capable national identification mechanism and process; a database of companies from all prior AABF events; a strengthened Web-based, electronic platform for information sharing and networking; a smaller event with targeted sectors; inclusion of executive seminars as an educational and marketing tool of the attractiveness of both regions under the South-South umbrella; and building the foundation for a sustainable event as part of the conversion to a process.

The AABF faces a bigger challenge, especially in terms of attracting finance into Africa's SME sector, in its ultimate aim to route those businesses to market and thus facilitate South-South trade. Forthcoming fora should consolidate gains made in terms of inculcating a more informed, educated and positive awareness of Africa as a viable and profitable business destination. The AABF series can be instrumental in providing a catalytic input that strengthens the capacity of African SMEs and women entrepreneurs to genuinely participate in world trade and investment flows and most importantly, benefit from the new patterns of trade and investment with Asia.

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