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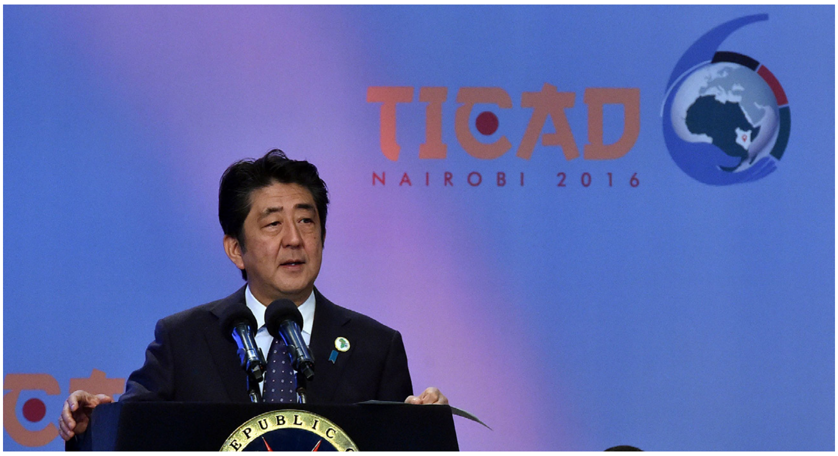
Japan's Economic Diplomacy in Africa

Between Strategic Priorities and Local Realities



Céline PAJON

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Ifri

27 rue de la Procession 75740 Paris Cedex 15 – FRANCE

Tel.: +33 (0)1 40 61 60 00 – Fax: +33 (0)1 40 61 60 60

Email: accueil@ifri.org

Website: Ifri.org

Author

Céline Pajon is the Head of Japan Research at Ifri's Center for Asian Studies where she has been a researcher since 2008. She is also a Senior Fellow with the Japan Program at the Vrije Universiteit Brussel (VUB) and an International Research Fellow at the Canon Institute for Global Studies (CIGS) in Tokyo. Her studies focus on Japanese defense and foreign policy, as well as geostrategic developments in the Indo-Pacific region.

Céline Pajon is a graduate of the Graduate Institute of International and Development Studies in Geneva and Sciences Po (Institut d'Etudes Politiques) Lyon. She studied in Japan at Waseda and Osaka Universities.

Her recent publications include: "The EU-Japan partnership in the Indo-Pacific: opportunities and challenges", *Analysis of the Elcano Royal Institute*, 13 March 2021.

Abstract

During his term in office (2012-2020), Prime Minister Shinzo Abe sought to demonstrate Japan's high level of interest in Africa, including by pledging a total of $ 60 billion in financial support at the 2013 and 2016 Tokyo International Conference on African Development (TICAD) summits and announcing his vision for a “Free and Open Indo-Pacific” (FOIP) at the TICAD-VI in Nairobi. However, Shinzo Abe does not have any specific ties to Africa. He simply set out his government’s strategic priorities as part of its African policy.

The initial aim was to revitalize Japan's economy by seeking out international growth drivers: in 2013 Africa was undergoing rapid economic expansion. The priority was to substantially mobilize private investors and for Japan to catch up with other Asian and Western actors in the African market. Therefore, Tokyo sought to move from a policy focused on official development assistance (ODA), whose budget has been continuously shrinking, to a private-investment-based approach via a series of incentives deployed as part of its economic diplomacy.

Shinzo Abe also wished to mark Japan's return to the international stage through intensive diplomatic activism. Systemic rivalry with China, which intensified after 2012, has become a key factor in its foreign policy. Beijing has been Africa’s main trading partner since 2009, and its political influence on the continent has been extending with its rollout of the Belt and Road Initiative (BRI) from 2013. In this context, Japan has been seeking to regain lost ground vis-à-vis China by offering an alternative, mainly through its vision for “a Free and Open Indo-Pacific”.

In 2020, however, Tokyo's investment objectives in Africa do not seem to have been met and there is significant disparity between the political rhetoric and local realities. Although progress has been made, Japanese companies are very reluctant to invest in a continent, whose problems they are unfamiliar with and that seems distant and risky to them. The government’s administrative guidance towards business appears to have reached its limits in Africa. In these conditions, the rhetoric on rivalry with China is also proving difficult to maintain.

The TICAD VII summit (2019) could mark the end of a cycle, by highlighting the Japanese government's difficulties in mobilizing a large volume of private investment in Africa over a short period of time. The government's economic diplomatic strategy (in its commercial and geopolitical aspects), originally designed for Asia, have had difficulties to adjust to the African context. In particular, the political rhetoric has tended to frame Japan-Africa cooperation in the context of strategic rivalry between Japan and China, however, this rivalry is quite different in the Asian and the African contexts. This rhetoric has created expectations and distorted the reality of Japanese cooperation in Africa, that is based on caution and as part of 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.

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Introduction

During his term in office (2012–2020), Prime Minister Shinzo Abe sought to demonstrate Japan's high level of interest in Africa.[1] Tokyo pledged over $ 60 billion in financial support at the Tokyo International Conference on African Development (TICAD) summits in 2013 and 2016. This Japan-Africa summit is now held every three years, and was organized on the continent for the first time in 2016 in Nairobi. On this occasion, Prime Minister Abe presented his vision for a "Free and Open Indo-Pacific" (FOIP), purposely entrenching Africa in Japan's broad strategy for the region. Shinzo Abe also undertook no less than four official visits to Africa, which is an unprecedented record for a Japanese prime minister.[2] However, he does not have any specific ties to Africa. He simply set out his government's strategic priorities as part of its African policy. Abe particularly wanted to mark Japan's return to the international stage through intensive diplomatic activism.

Investing in Africa is important for a number of reasons. The initial aim was for Japan to catch up with other Asian and Western actors in the African market. Tokyo sought to move from a policy focused on official development assistance (ODA), whose budget is continuously shrinking, to a private-investment-based approach. Mobilizing the Japanese business community was, therefore, key to extending Japanese economic presence in this promising market, but also to continuing to secure strategic energy and mineral resources. The Abe government's other incentive was its systemic rivalry with China that has intensified since 2012. Beijing has been Africa's main trading partner since 2009 and its political influence on the continent has been extending from 2013 with its rollout of the Belt and Road Initiative

This study is based on interviews conducted in December 2020 by video conference with Japanese researchers and specialists in Japan-Africa cooperation. The author would like to extend her sincere thanks to those who agreed to share their expertise and experience with her. She would particularly like to thank the researcher who facilitated the contacts.

1. This paper will mainly deal with Japan's relations with sub-Saharan Africa, while relations with the Middle East come under a more specific dynamic characterized by the need to secure hydrocarbon sources. See for example: www.asiasociety.org. Also, these two regions are the focus of different sections in the annual report on Japanese diplomacy: *Diplomatic Bluebook 2020* on the Japanese Ministry of Foreign Affairs' (MOFA's) website: www.mofa.go.jp.
2. He first visited Mozambique, Côte d'Ivoire and Ethiopia in January 2014, then Egypt, Jordan, Israel and Palestine in January 2015, and Kenya in August 2016. In January 2020, he visited Saudi Arabia, Oman and the United Arab Emirates.

(BRI), a major infrastructure financing project. In this context, Japan has been seeking to regain lost ground vis-à-vis China by offering an alternative.

However, Tokyo's objectives do not seem to have been met and there is significant disparity between the political rhetoric and local realities. The official development assistance budget has not been increased, and although progress has been made, Japanese companies are very reluctant to invest in a continent, whose problems they are unfamiliar with and that seems distant and risky to them. In 2018, Japanese exports to Africa totaled $ 7 billion, or half as much as in 2008. In these conditions, the rhetoric on rivalry with China is also proving difficult to maintain in Africa. In terms of security, most of Japan's contribution in Africa is low-key,[3] and full inclusion of Africa in the Japanese Indo-Pacific strategy is still to be confirmed.

Under the Abe government, two gaps can be identified: firstly, between Japan's Africa rhetoric and the reality of Japanese involvement, and secondly between Tokyo's ambitions and its capabilities. Japan's economic diplomacy[4] in Africa under Abe pursued two objectives: one purely economic and the other geopolitical. In the first instance, profitability governs the investment decision, while in the second instance, political considerations dominate. This study is intended to provide a more realistic assessment of Japanese involvement in Africa by examining the government's strategic ambitions (Section 1) and local realities (Section 2).

3. This subject was discussed in a previous paper: C. Pajon, "Japan's Security Policy in Africa: The Dawn of a Strategic Approach?", *Asie.Visions*, No. 93, Ifri, May 2017.

4. M. Okano-Heijmans, *Economic Diplomacy: Japan and the Balance of National Interests*, Leyde, Martinus Nijhoff Publishers, 2013, pp. 17-51.

Strategic priorities: Attracting investors and standing up to China

The Abe government quickly set strategic priorities that were incorporated into its African policy. Its initial aim was to revitalize the economy so Japan remained "a leading power".[5] This involved seeking out international growth drivers, and in 2013 Africa was undergoing rapid economic expansion. The priority was to mobilize Japanese private investment. The Abe government also adopted "diplomacy with a panoramic perspective of the world map",[6] that was expected to advance Japan's interests on the international stage, including in Africa. Japan's rivalry with China was a key factor in this foreign policy, especially since Beijing announced its major BRI project in 2013.

Becoming a major investor in Africa

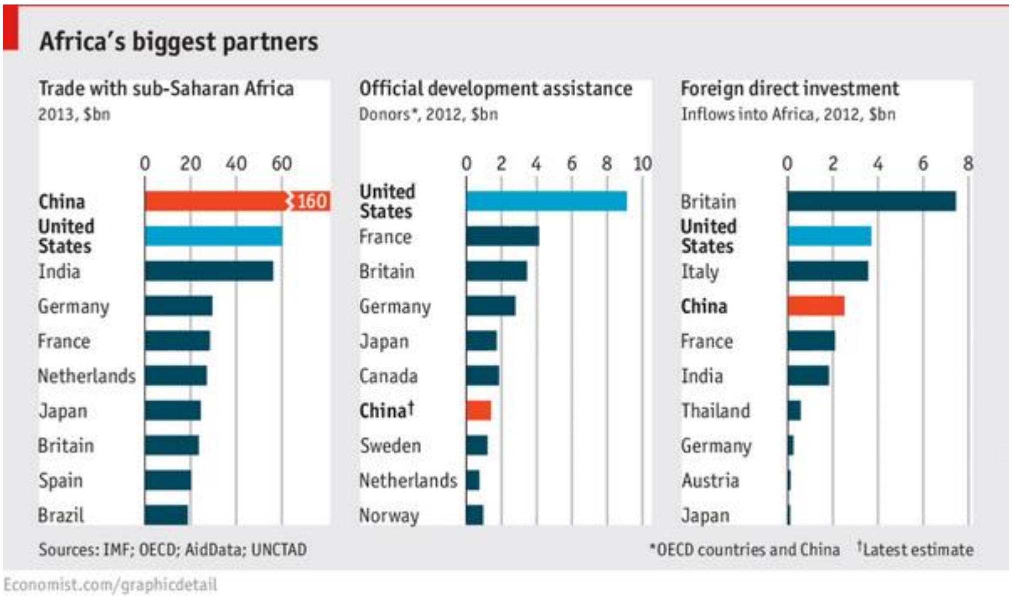
The Japanese government's renewed interest in Africa mainly stemmed from the growth strategy adopted by Abe's government in 2013. The search for new international markets, particularly for infrastructure export and to secure natural resources, was expected to revitalize the Japanese economy.[7] The strategy takes into account the "strong competition" to access emerging countries' markets, encourages measures to foster a favorable investment climate, and promotes public-private partnerships (PPP) in which the government acts as a facilitator. In Africa, the strategy states that "Japanese companies are trailing far behind Western and Chinese companies" in terms of market share,[8] so the government should try to generate interest from the Japanese private sector to gain a foothold in a growing consumer market.

5. S. Abe, "Japan Is Back", speech at the Center for Strategic and International Studies (CSIS), Washington, February 22, 2013.

6. "Japan's Foreign Policy that Takes a Panoramic Perspective of the World Map", *Japan Diplomatic Bluebook 2016*, available at the MOFA's website: www.mofa.go.jp.

7. "Japan Revitalisation Strategy-Japan is Back", June 14, 2013, on the Prime Minister's Office's website, available at: www.japan.kantei.go.jp.

8. In 2013, Japan accounted for 3% of Africa's trade, whereas China accounted for 10%.



Source: The Economist, August 5, 2014.

Securing natural resources, and particularly energy resources, was a major concern in a post-Fukushima setting (2011). Tokyo also sought to diversify its sources of strategic materials when China restricted its rare earth exports following maritime disputes in 2010.[9]

The Abe government's African policy was characterized by the transformation of the TICAD: established in 1993 as a coordination forum focused on development assistance,[10] it is now a platform for the Japanese and African business communities to meet. This "New TICAD" is based on enterprise and entrepreneurship, investment and innovation.[11] This evolution started at TICAD IV in 2008, as a result of the economic upturn that increased growth rates in Africa. The then Japanese prime minister, Yasuo Fukuda, attended TICAD and announced a doubling in ODA, mainly to finance infrastructure and facilitate private investment.[12] Shinzo Abe's focus on economic recovery supported this momentum. In 2013, the TICAD V in Yokohama introduced a five-year action plan focused on private sector incentives.[13]

9. J. Seaman, "Rare Earths and China: A Review of Changing Criticality in the New Economy", *Notes de l'Ifri*, Ifri, January 2019, p. 16.
10. When it was established in 1993, Japan emerged as a pioneer, countering the "aid fatigue" of major donors in Africa. At that time, Japan was the largest ODA provider in the world.
11. Shinzo Abe's opening speech on August 28, 2019 at the 7thTokyo International Conference on African Development (TICAD VII) in Yokohama, available at: www.mofa.go.jp.
12. The fourth Tokyo International Conference on African Development (TICAD IV) provided a framework for "a century of African growth": Press release, May 30, 2008 on the UN website: www.un.org.
13. *Yokohama Action Plan 2013-2017*, Yokohama, June 3, 2013, available at: www.mofa.go.jp.

Private investments are expected to take over from official development assistance, which is the basis of Japan-Africa relations, as the ODA budget has been systematically declining for more than 20 years. Nonetheless, the Japanese International Cooperation Agency (JICA), which manages official development assistance, remains a key player that can boast a huge network in about 30 African countries and significant financing potential. Since 2015, Tokyo has broadened its concept of development cooperation, actively seeking to combine state funding and private investments.[14] Shinzo Abe broke new ground by taking company representatives with him on his official visits to Africa. At TICAD VI in Nairobi in 2016, he was accompanied by representatives from 75 companies and committed to a three-year development assistance package of $ 30 billion for Africa – $ 20 billion of which was expected to be covered by private investment. Therefore, securing private investment is essential to keeping Japan's promise of financial support for Africa.

Public Actors in Japanese economic diplomacy in Africa

The Abe government has been particularly active in revitalizing Japanese economic diplomacy, combining ODA, public funding and commercial guarantees to facilitate Japanese private actors' business activities abroad, including in Africa. This approach often relies on information sharing and forging connections with relevant local actors. At the highest level, politicians play an important role in establishing economic and strategic partnerships, as well as investment agreements to regulate companies' activities.[15] This strategy is primarily aimed at Asian countries, which are Japan's traditional trading partners, undergoing rapid economic expansion and with high infrastructure requirements.[16] This strategy has been implemented in Africa.

Strategic decision-making is centralized in Tokyo, particularly in the Prime Minister's Office. The influence of advisers from the Ministry of the Economy, Trade and Industry (METI) on Prime Minister Abe was well-known.[17] They supported a very proactive economic diplomacy, and pushed for the Prime Minister's Office to lead on key business activities, such as infrastructure export.

14. This principle is at the crux of the Development Cooperation Charter adopted in 2015. "Cabinet Decision on the Development Cooperation Charter", Tokyo, February 10, 2015, available at: www.mofa.go.jp.

15. For example, in 2014, Shinzo Abe went to Mozambique and signed a series of economic cooperation agreements, particularly in the gas, mining, and transport infrastructure sectors, worth a total of $ 577 million.

16. H. Yoshimatsu, "Japan's Export of Infrastructure Systems: Pursuing Twin Goals through Developmental Means", *The Pacific Review*, vol. 30, No. 4, 2017, p. 7.

17. "METI Loosens Grip on Levers of Power as Balance Shifts under Suga", *The Japan Times*, September 28, 2020, available at: www.japantimes.co.jp.

The government has established a number of measures to support Japanese companies, facilitate their set-up and transactions in Africa, and better cover investment-related risks. Indeed, these companies,[18] faced with an African business environment complicated by political and regulatory instability and a lack of transparency, poor infrastructure and an unskilled workforce, asked for the government's support. As a result, several ministries and governmental agencies working on international cooperation have been mobilized to implement the Abe government's vision of economic recovery in Africa.

The Ministry of Foreign Affairs (MOFA) decides on the priorities for the official development assistance and provides the broad diplomatic guidelines. The JICA, which manages ODA, is involved in establishing some public-private partnerships (PPP), particularly to support companies, whose business activities promote the United Nations' (UN) sustainable development goals.[19] This is the case for the agribusinesses Kagome in Senegal and Ajinomoto in Ghana.[20] The agency also increased information sharing with Japanese companies on ODA-funded projects. Subsequently, the share of untied aid to Japanese companies increased substantially from 20 to 70% over the 2012-2017 period.[21]

ODA also helps to build a favorable investment climate. For example, JICA is helping to provide vocational training to promote African countries' autonomy, but also to train a workforce that will be able to support Japanese companies' business activities on the continent.[22] The African Business Education (ABE) Initiative for Youth, which was launched in 2013 and renewed in 2019, is expected to train more than 4,000 young Africans in Japan by 2025.

JICA also contributes to financial packages to build infrastructure that facilitates the set-up of Japanese companies (via special economic zones or business parks), while supporting the development of mineral and energy resources that are crucial for Japan. Indeed, infrastructure export (mainly to Asia) was a priority for the Abe government. In Africa, the focus is on three major connectivity projects: the Nacala Corridor linking the Democratic

18. "Aiming for Expanded Business Opportunities in Africa: From a JETRO Survey", *Special Report: Taking in the Dynamism of Africa,* JETRO, April 2013, available at: www.jetro.go.jp.

19. I. Ohno and S. Uesu, "A New Partnership Between Business and Development: A Case Study of Ethiopia's Industrial Development", *in* S. T. Otsubo and C. S. Otchia (eds.), *Designing Integrated Industrial Policies – Volume II: For Inclusive Development in Africa and Asia*, Routledge, 2021, p. 211.

20. E. Kubo, "JICA's Partnership with Private Sector for SDGs in Africa", 2017, available at: www.ab-network.jp.

21. "OECD Development Co-operation Peer Reviews: Japan 2020", Organization for Economic Cooperation and Development (OECD), Paris, October 2020, available at: www.oecd.org.

22. See "Initiatives de la JICA en Afrique" [JICA's Initiatives for Africa], March 2019, available at: www.jica.go.jp.

Republic of Congo, Malawi and Zambia with the port of Nacala in Mozambique, that connects raw material extraction areas to ports. The "East Africa Northern Corridor" links the neighboring countries to the port of Mombasa in Kenya and the "West Africa Growth Ring" connects Burkina Faso, Ghana, Benin, Côte d'Ivoire and Nigeria, establishing transport networks and industrial development zones.[23] In 2016, Tokyo decided to relax the conditions for infrastructure financing to make the whole approbation process faster (from five years to one and a half).[24] The ceilings for public-private funds were also raised to allow investment in large-scale projects.

The Japan Bank for International Cooperation (JBIC) is also involved in infrastructure financing, providing loans, equity and guarantees for investment in energy and mineral resources, and promoting Japanese commercial operations in developing countries. For instance, it launched a financing program (equivalent to $ 7 billion over the 2013-2018 period) called FAITH 2 ("Facility for African Investment and Trade Enhancement 2") to promote economic diversification and industrialization in Africa.[25] JBIC's greatest financial commitment in Africa relates to Mozambique with the development of the railway and the port of Nacala, that should facilitate the transport and export of coal from the Moatize mine, principally operated by Mitsui.[26] In the natural resources sector, the Japan Oil, Gas and Metals National Corp.'s (JOGMEC) budget for investments and loan guarantees doubled in 2016 and its investment ceiling in natural gas and energy projects increased.

Risk coverage is a particularly important issue for this type of infrastructure project, where return on investment is not immediate and subject to many risks. Furthermore, Africa's complicated business environment has resulted in the government offering increased support to companies. Hence, the state-owned insurance company, Nippon Export and Investment Insurance (NEXI), has been covering risks related to terrorist attacks and natural disasters since 2016. Since 2017, it has been authorized to insure infrastructure projects in dollars, particularly in Mozambique.[27]

23. H. Ara, "The Corridor Development Approach in Africa and the Role of the Private Sector", JICA, 2018, available at: www.jica.go.jp.

24. "Japan to Rework Financing Rules to Boost Infrastructure Exports", *Nikkei Asian Review*, May 20, 2016.

25. "Reinforcing JBIC Facility for African Investment and Trade Enhancement (FAITH 2)", August 29, 2016, available at: www.jbic.go.jp.

26. However, in January 2021, Mitsui announced that it was about to sell its stake in the Moatize coal mine and Nacala Corridor rail and port projects in Mozambique to Brazil's Vale. "Mitsui to sell stake in Mozambique coal mine, logistics corridor to Vale", *Reuters*, 21 January 2021.

27. "Most Japanese Companies Finance Overseas Projects with Dollars, but NEXI Had Only Provided Trade Insurance in Yen – A Mismatch That Could Result in Losses if the Home Currency Strengthened Against

The investment bank, JBIC, also offers guarantees to cover political, economic and security risks.[28]

The Japan External Trade Organization (JETRO), which has eight offices in Africa,[29] also plays an important role in supporting companies, particularly by providing them with information on developments in the African market and investment opportunities.

In addition to strictly economic considerations, the second priority of Japanese cooperation in Africa is to strengthen Japan's position vis-à-vis China.

Rivalry with China extending to Africa

Japan's decision-makers consider its greatest challenge to be dealing with China's rising power. For Tokyo, Beijing's maritime expansion is a direct threat to its sovereignty over the Senkaku Islands in the East China Sea. More essentially, China is seen as a strategic rival, as it seeks to challenge the norms of the liberal international order and impose its own standards, particularly through its Belt and Road Initiative – a major infrastructure financing project of almost global scope.[30] The Chinese factor, therefore, significantly determines Japan's foreign policy, including in Africa.

China's presence in Africa has surged in the last 15 years, leaving Japan trailing far behind: China became the continent's leading trading partner in 2009 ($200 billion in trade in 2014 compared to $ 27.5 billion for Japan). Nearly 3,000 Chinese companies now operate in Africa (compared to less than 800 for Japan), and since 2013 Beijing has committed to providing development assistance double the amount of Japan's ($ 120 billion in total). Therefore, Tokyo is concerned about its lag, but also about Beijing's growing political influence in Africa.

For Tokyo, China's economic expansion, particularly through its BRI, is progressing at the expense of human rights and good governance, fueling cases of over indebtedness and enabling Beijing to leverage support on issues related to its key interests, including territorial disputes in the South China Sea.[31] Another point on which China is opposed to Japan's diplomatic

the Greenback"; "Japan Readies Dollar-Denominated Trade Insurance", *Nikkei Asian Review*, November 23, 2017.

28. "JBIC pour Afrique", November 2019, available at: www.jbic.go.jp.

29. JETRO has offices in Kenya, South Africa, Nigeria, Côte d'Ivoire, Ethiopia, Mozambique, Morocco and Egypt.

30. See the section on Japan's position (pp.70-78) in A. Ekman (dir.), "La France face aux Nouvelles routes de la soie chinoises", *Études de l'Ifri,* Ifri, October 2018.

31. In 2016, for instance, China boasted that 60 countries (including many African countries) supported its challenge to the jurisdiction of the Hague Arbitral Tribunal. The Tribunal found against China in its

interests in Africa, concerns Tokyo's attempts to reform the UN Security Council (UNSC) and obtain a permanent members' seat. Indeed, for many years, Japan's political priority in Africa has been to secure the support of the 54 African countries for UNSC reform.[32] Beijing has been constantly and unequivocally opposed to Japan's proposal. Finally, Tokyo is concerned about China's expanding military presence in Africa (UN peacekeeping missions, capacity-building for the armed forces, anti-piracy operations), and particularly the Djibouti base set up by Beijing in 2017. In October 2016, Japan, in turn, announced the expansion of its own facility in Djibouti, set up in 2011.[33]

Japan is reacting to China's increased presence in Africa by replicating Chinese activism, while disassociating itself from it. In 2014, Tokyo decided to boost TICAD's visibility and importance by holding it once every three years (rather than every five years) and alternately in Africa and Japan, just like the Forum on China-Africa Cooperation (FOCAC), founded in 2000. At the same time, Tokyo highlights the characteristics of its own contribution to African development by countering Chinese practices. Therefore, Japan argues that the TICAD forum, unlike FOCAC, is genuinely multilateral and co-organized with institutions such as the United Nations' Development Program (UNDP), the World Bank and the African Union. Additionally, as Japan cannot compete with the amounts spent by China in Africa, it highlights the quality of its offer rather than the quantity. Tokyo argues that its infrastructure is more robust and sustainable, as local engineers and personnel are involved in the construction and trained to maintain the roads and other facilities. Therefore, Japan's approach is to propose a differentiated offer, based on quality, training personnel and local ownership. Furthermore, promoting "quality infrastructure" is at the heart of Japan's infrastructure export strategy.[34]

territorial dispute with the Philippines over the Spratly Archipelago. "AMTI Leadership, Arbitration Support Tracker", Asia Maritime Transparency Initiative, CSIS, available at: www.amti.csis.org.

32. At the TICAD 2016 in Kenya, Prime Minister Abe began his speech by touching on reform of the UN Security Council: "You in Africa have a right as a matter of course to demand that the international community better reflect your views. Africa should send a permanent member to the United Nations Security Council by 2023 at the very latest. Reform of the United Nations Security Council is truly a goal that Japan and Africa hold in common. I call on everyone here to walk together towards achieving it.". Shinzo Abe's opening speech at the 6th Tokyo International Conference on African Development (TICAD VI), Nairobi, August 27, 2016.

33. "Japan to Expand Djibouti Military Base to Counter Chinese Influence", *Reuters*, October 13, 2016.

34. Meeting of the Management Council for Infrastructure Strategy, May 23, 2016, available at: www.japan.kantei.go.jp.

Finally, in 2016 Shinzo Abe's announcement at TICAD VI in Nairobi of his policy for a "Free and Open Indo-Pacific" (FOIP) clearly positioned Africa in Japan's broad strategic vision.[35] FOIP was conceived as an alternative to China's BRI and is based on three pillars: economic prosperity fostered by connectivity, upholding the rule of law, and maintaining maritime freedom and security. In real terms, Japan's efforts in Africa were expected to focus on supporting nation-building, financing infrastructure, and promoting trade and investment between Asia and Africa.[36] The "Expanded Partnership for Quality Infrastructure", launched in 2016, plans to invest $ 200 billion in infrastructure (in Asia and elsewhere) over five years.[37] The FOIP concept offers a competitive geopolitical narrative to China's and strategically communicates Japan's activities in the region. Backed by the major democracies in the Indo-Pacific area (United States, India, Australia, France), it allows Japan to search for synergies and partnerships, for example with India. Tokyo and Delhi launched the Asia-Africa Growth Corridor in May 2017, aimed at jointly developing infrastructure and connectivity projects in Africa.

This rhetoric on rivalry between Japan and China in Africa stemmed from the Abe government's geostrategic vision, but it has also been extensively driven by the media, that almost systematically places Japanese initiatives in Africa in the context of a supposed competition with Beijing.[38] The message conveyed by the government that Japan should present itself as an alternative to China in Africa generates high expectations. However, it does not correlate with the interests, resources and limitations of the actors who can realize this vision. Subsequently, disparity occurs between the stated objectives and the partial achievements.

35. Shinzo Abe's opening speech at the sixth Tokyo International Conference on African Development (TICAD VI), Nairobi, August 27, 2016, available at: www.mofa.go.jp.

36. "A New Foreign Policy Strategy: Free and Open Indo-Pacific Strategy", MOFA, 2017, available at: www.sydney.au.emb-japan.go.jp.

37. G7 Ise-Shima Summit, "Expanded Partnership for Quality Infrastructure" 2016, available at: www.meti.go.jp.

38. M. Hirono, "Asymmetrical Rivalry Between China and Japan in Africa: To What Extent Has Sino-Japan Rivalry Become a Global Phenomenon?", *The Pacific Review*, 2019, pp. 16-17.

Economic realities: Local challenges; Disconnect between political and economic interests

Measures taken by the Japanese government have facilitated the inflow of new private investment in Africa. However, these measures have proved insufficient given the complexity of the African environment and the reluctance of Japanese companies to invest in a distant continent that is not one of their top priorities. Therefore, there is a disconnect between the government's political priorities and the private sector's interests and abilities to respond to them. Finally, the rhetoric on rivalry with China is irrelevant, or even counter-productive in the context of economic cooperation in Africa. Therefore, it is expected that Tokyo will return to a more pragmatic approach, banking on economic expansion in the medium and long term.

The positive effects of measures on investments

There are currently 796 Japanese companies operating in Africa compared to 520 in 2010. Although companies have come to set up in Africa, they have done so in countries already well known to the Japanese private sector, such as Kenya (+ 45% in investment between 2016 and 2019).[39] The traditional strongholds of Japanese investment in sub-Saharan Africa are South Africa and East African countries (in particular Kenya, Ethiopia, Uganda, Mozambique and Tanzania), that is a geographically and linguistically more accessible region than the west of the continent. South Africa now accounts for a third of Japanese companies (275) and half of business transactions, followed by Egypt (49), Kenya (47) and Morocco (45).

Since the 1980s, Japanese companies operating in Africa have been in the automotive and motorcycle industry (Toyota, Nissan, Honda, Yamaha, etc.), construction equipment (Komatsu), and mining and hydrocarbons

39. L. Lewis and J. Aglionby, "Japan Renews Africa Investment Push as Rivals Surge Ahead", *Financial Times*, August 28, 2019, available at: www.ft.com.

sectors that major trading houses, like Mitsui, Mitsubishi or Sumitomo have shares in. Nowadays, the business sectors are relatively more diversified, from agribusiness (Ajinomoto in Nigeria) to industrial paints (Kansai Paint). Kansai Paint has been identified as one of Japan's great investment success stories in recent years: it started investing in South Africa in 2011 and acquired three companies (in Kenya, Uganda and Tanzania) in 2017. The company relied on local personnel to sell its products, scarcely utilizing Japanese expatriates.

According to the 2019 JETRO survey of Japanese companies in Africa, a third of companies are now in the manufacturing sector.[40] In 2019, 80% of Japanese companies that set up in Africa did so because of the prospects offered by the African market: Kenya, Nigeria and South Africa have been considered as the three most attractive countries for the past five years. The JETRO survey found that access to natural resources was an incentive for only 14% of companies (compared to 30% in 2007) and the prospect of being part of an ODA-funded program motivated only 14% of them (compared to 24% in 2007).

However, trade in raw materials is still crucial and accounts for the greatest share of African exports to Japan (coal and gas from Mozambique, nickel from Madagascar, iron and platinum from South Africa), whereas Africa imports Japanese cars and electronics.[41] Consequently, Japanese investments in mining resources and hydrocarbons were maintained because of government measures, despite the risks related to price volatility. The fall in raw material prices in 2015, for instance, caused huge losses for Sumitomo that had invested in nickel mines in Madagascar.[42] Diversification of sources of supply, particularly for liquefied natural gas (LNG) – Japan is the world's leading importer of LNG[43] – prompted significant investment in the new gas fields off the coast of Mozambique. Mitsui and the government agency, JOGMEC, recently announced the purchase of a 20% stake in the offshore gas field off of northeastern Mozambique.[44]

40. "Étude sur la situation des entreprises japonaises implantées en Afrique (Exercice financier 2019)", Japanese External Trade Organization (JETRO), March 2020.

41. P. Mesmer, "À la traîne en Afrique, le Japon veut se distinguer de l'activisme chinois", *Le Monde*, August 28, 2019 : www.lemonde.fr.

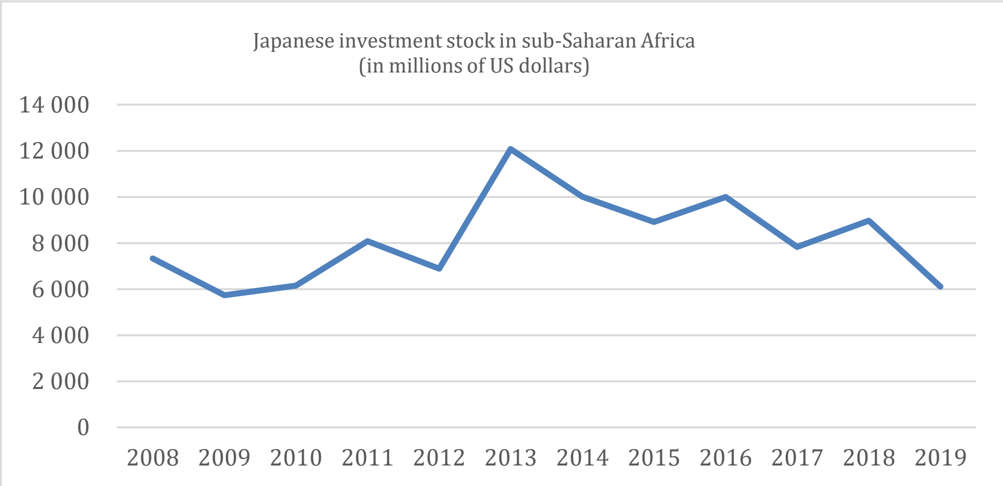
42. B. Polle, "Madagascar: les pertes s'accumulent pour les actionnaires de la mine de nickel géante d'Ambatovy", *Jeune Afrique*, January 15, 2016.

43. Japan depends on LNG for 40% of its electricity production and imports most of it from Australia, Qatar and Malaysia.

44. "Japan Inc. to Invest $14bn in LNG Development in Africa", *Nikkei Asian Review*, July 2, 2020.

Investments still fall short of expectations

Despite some progress and success, continent-wide Japanese investments have been declining since 2013 ($ 6 billion in 2019 compared to $ 12 billion in 2013), just like the value of trade ($ 14 billion in 2018 compared to $ 25 billion in 2013), which remains unbalanced.



Compiled by the author. Source: Jetro.

At TICAD VII in August 2019, Prime Minister Abe was obliged to give up setting a specific amount for investment for the next three years, simply stating that the Japanese government "will make every effort" to ensure private investment exceeds $ 20 billion.[45] The total pledged for the 2016-2019 period seems far from being reached. However, the Japanese Ministry of Foreign Affairs claims the opposite, estimating that the amount of private investment may have reached $ 25.6 billion, exceeding the set target of $ 20 billion. In 2019, the ministry actually changed how it measured investment, from a net basis to a gross basis, that considerably increased the total amount. Indeed, MOFA calculated that net investment did not include some funds, such as dividends paid by African subsidiaries to the Japanese parent company (such as when companies acquired shares in African companies and generated profits).[46] In fact, making equity investments in companies already well established in the African market is one way for Japanese companies to extend their business activities on the continent while reducing the risks. In 2012, Toyota Tsusho acquired the French company,

45. Shinzo Abe's opening speech at the seventh Tokyo International Conference on African Development (TICAD VII), *op. cit.*
46. R. Yoshida, "Abe Pledges to Push Japanese Investment in Africa But Steers Clear of Target at TICAD", *The Japan Times*, August 28, 2019.

CFAO, to gain a foothold in West Africa, and in 2015 Mitsubishi purchased shares in the Singaporean agribusiness, Olam, that operates throughout the continent.

Several factors explain why the reality of investments falls short of expectations.

The first factor is Japanese companies' perception of Africa. Indeed, Africa is a geographically and culturally distant continent, perceived as risky and dangerous by company headquarters in Tokyo. It is not a high-priority target for the Japanese business community that primarily operates in Asia, the United States, Europe, Russia and the Middle East. Furthermore, Africa is already well known and covered by the Europeans and, more recently, the Chinese. Finally, the investment climate is still challenging. Japanese companies in Africa interviewed by JETRO in 2019 identified their major difficulties: problems in applying the legal and regulatory framework (for nearly 80% of respondents), political and social instability (75%), financial and exchange rate issues (67%), poorly trained local workforce (60%) and poor infrastructure (57%).[47] Consequently, Japanese companies' risk aversion does not encourage them to invest in the continent.

These perceptions have been reinforced to a certain extent by the economic situation that deteriorated from 2015, in particular with the collapse in raw material prices, hitting some investments hard (such as Sumitomo in Madagascar) and discouraging others. Therefore, only 40 new Japanese companies established a foothold in Africa between 2016 and 2019.[48] The Ebola fever epidemic in 2015–2016 highlighted the health risks and inadequate healthcare infrastructure. Finally, the terrorist attacks of January 2013 in In Amenas (Algeria), during which ten Japanese expatriates were killed, caused shock[49] and further increased concerns about the safety of Japanese employees.[50]

A second factor is related to the difficulty in transposing the model applied by Japan in Asia to Africa. The close cooperation between public authorities and the private sector which helped (and still helps) Japanese companies to expand in Asian countries, has proved difficult to implement

47. "Étude sur la situation des entreprises japonaises implantées en Afrique (Exercice financier 2019)", *op. cit.*
48. O. Caslin, "L'Afrique, un enjeu national pour le Japon", *Jeune Afrique*, August 8, 2019, available at: www.jeuneafrique.com.
49. J. McCurry, "In Japan, Sadness and Frustration over Algeria Hostage Crisis", *Global Post*, January 28, 2013.
50. Afterwards, the Japanese government decided to strengthen its intelligence-gathering network in Africa and authorized its Self-Defense Forces (SDF) to carry out missions to evacuate its citizens. See C. Pajon, "Japan's Security Policy in Africa: The Dawn of a Strategic Approach?", *op. cit.*

in Africa.[51] This collaborative effort at consultation and public-private partnership is mainly focused on the Asian market. Furthermore, Africa's workforce, which is less skilled and sometimes more expensive than in Asia, makes it difficult for manufacturers that want to rely on local supply chains to set up there. Japanese companies tend to approach African countries with the same analytical framework as Asian countries, which leads to misunderstandings and disappointments.

A third factor, highlighted by the difficulty in attracting private investment to infrastructure projects, is the disconnect between the government's priorities and companies' economic interests. The promotion of infrastructure in Africa fulfills three objectives: to encourage development in Africa (and facilitate the set-up of Japanese countries), catch up with China, and foster connectivity as part of the FOIP vision. Therefore, one of Japan's economic diplomatic priorities in Africa is the realization of major infrastructure projects supported by the private sector. Traditionally, infrastructure has been financed by ODA and it has proved difficult to involve PPPs. The legal instability hinders investment in projects with long-term profitability, and the deteriorating security situation in some countries (Mozambique) further increases the risks. Furthermore, the infrastructure market is already extensively dominated by the Chinese[52] and Japanese companies are not competitive in this environment. For instance, it is inconceivable for them to employ hundreds of Japanese expatriates to carry out the work, and the local workforce is not always sufficiently skilled[53]. Unlike Beijing, Tokyo is unable to force its companies to invest at a loss against their will.

A local reality check on the rivalry with China

Although rivalry with China is a key diplomatic approach for the Abe government, it is difficult to apply in Africa which is further away than Asia. While Japan has managed to promote international standards and guidelines vis-à-vis Chinese practices in the field of infrastructure financing, the realization of the FOIP vision in Africa is more difficult to implement.

51. I. Ohno and S. Uesu, "A New Partnership Between Business and Development: A Case Study of Ethiopia's Industrial Development" *op. cit.*, p. 208 and H. Dempsey, "Japan Inc's Frustrations in Africa Demand a New Approach", *Tokyo Review*, September 3, 2019, available at: www.tokyoreview.net.

52. D. Dollar, "Understanding China's Belt and Road Infrastructure Projects in Africa", *Brookings*, September 2019.

53. Interviews by video conference with Japanese researchers and specialists in Japan-Africa relations, December 2020.

Finally, the politicization of cooperation with Africa is questioned by economic actors.

Japan has successfully positioned itself as a "normative entrepreneur" in order to have its infrastructure financing standards recognized and adopted internationally. Tokyo has worked with the OECD, World Bank and the G7 and G20 Summits to promote strict evaluation criteria for investments in "quality infrastructure" (transparency, economic, social and environmental sustainability, etc.). At the Ise-Shima G7 Summit in 2016, Japan presented its "Extended Partnership for Quality Infrastructure" ($ 200 billion over five years) and adopted the "Principles for Promoting of Quality Infrastructure Investment".[54] These principles were adopted by the G20 at Osaka in 2019.[55] This international approval has reinforced the legitimacy of Japan's approach to Chinese dubious practices as part of the BRI. However, the contribution of Chinese-funded infrastructure in improving connectivity and supporting growth in Africa is widely recognized, even though its limitations have been recently highlighted.[56] The emphasis on quality of infrastructure supply also helps Tokyo in justifying its tied loans and the use of Japanese technology and construction while implementing its ODA program. Quality principles specifically include a focus on project profitability and debt sustainability for the countries involved. The issue of over indebtedness – a situation facilitated by Chinese loan offers with scant regard for the terms – is regularly raised by Japan in international organizations. At the TICAD 2019 Summit, Japan subsequently proposed training officials from 30 African countries in risk and debt management over the next three years, not only to help African countries be more cautious of Chinese commercial loan offers, but also because issues of over indebtedness also restrict Tokyo's ability to lend to the African countries in question.[57] However, at the TICAD summit, the President of the African Development Bank denied China's intention of drawing Africa into a spiral of over indebtedness and called on Japan and China to not compete, but rather to play a complementary role in financing infrastructure in Africa.[58]

54. "G7 Ise-Shima Principles for Promoting Quality Infrastructure Investment", June 2016, available at: www.mofa.go.jp.

55. "Japan to Propose G-20 Aid Rules to Check China's Belt and Road", *The Nikkei Asian Review*, March 18, 2019, available at: www.asia.nikkei.com.

56. T. Pairault, "China's Infrastructure-Heavy Model for African Growth Is Failing", *The Diplomat*, July 30, 2020.

57. R. Yoshida, "TICAD Closes with Effort by Japan to Differentiate Its African Investment Projects from China's", *The Japan Times*, August 30, 2019.

58. T. Kajimoto, "African Lender Says China Not Trying to Lead Region into 'Debt Trap'", *Reuters*, August 30, 2019.

Shinzo Abe's vision for a "Free and Open Indo-Pacific", announced in Nairobi, needs to fully include Africa.[59] However, several Japanese researchers and specialists think this approach only marginally relates to Africa, and mainly involves East African coastal countries in terms of maritime security and blue economy issues. Japan is actively involved in maritime capacity-building in the region, particularly after its involvement in international anti-piracy operations in the Gulf of Aden. For instance, Japan has been providing Somalia with assistance in maritime law enforcement procedures[60] since 2013. In 2015, Tokyo provided the Djibouti coast guards with two patrol boats and provided crew training.[61] In 2019, Tokyo supplied 17 patrol boats to the Kenyan coast guard.[62] With regard to connectivity, the two East African corridors ("East Africa Northern Corridor and Nacala Corridor") appear in official documents on Japan's FOIP strategy.[63] In particular, the expansion of Mombasa port in Kenya is presented as one of the flagship projects: this is expected to increase the port's container capacity two and a half times and the construction of access roads should facilitate the opening up of hinterland countries. However, there are limits to Japan's ability to be involved in major infrastructure projects in the region.

The FOIP vision was to develop cooperation with partners, such as India. However, the Asia-Africa Growth Corridor (AAGC) project presented by Delhi and Tokyo in 2017, failed to materialize.[64] Presented as an alternative to China's BRI, the aim was to stimulate Japanese-Indian private partnerships to support connectivity and investment in Africa. However, cooperation between Japanese and Indian business communities in Africa, which was driven by strong economic interests, has continued.

Finally, the rhetoric on the Free and Open Indo-Pacific and rivalry with China does not seem to convince all of Japan's partners in Africa. The Yokohama Declaration after the 2019 TICAD tersely states: "We take good note of the Free and Open Indo-Pacific initiative announced by Prime Minister Shinzo Abe at TICAD VI in Nairobi." In the Japanese version of the

59. In his speech at TICAD VII, Shinzo Abe reiterated that Japan's desire to work with the continent "to safeguard the Indo-Pacific, which connects Africa and Asia, as an international common good focused on the rule of law", Shinzo Abe's opening speech at the seventh Tokyo International Conference on African Development (TICAD VII), *op. cit.*

60. "Somali Officials Attend Maritime Law Enforcement Training in Japan", June 1st, 2014, available at: www.jica.go.jp.

61. "Djibouti Receives New Patrol Boats", *DefenseWeb*, December 8, 2015.

62. P. Kenyette, "Kenyan Maritime Police Receives 17 Patrol Boats from Japan", *Military Africa*, October 17, 2019, available at: www.africanmilitaryblog.com.

63. "Towards Free and Open Indo-Pacific", Japanese government, November 2019, available at: www.mofa.go.jp.

64. C. Pajon and I. Saint-Mézard, "Asia–Africa Growth Corridor at the Crossroads of Business and Geopolitics", *East Asia Forum*, November 8, 2018.

joint statement, the phrase has been translated in a more positive note ("favorably acknowledge").[65]

Japan's rivalry with China in Africa can in fact be described at best as "asymmetrical"[66]: the sense of rivalry is felt by Japan and not by China. Furthermore, Tokyo is not able to match China's capacities in Africa, in terms of the amount of aid, investment and trade, or even in terms of number of expatriates (8,000 Japanese live in Africa compared to 1.5–2 million Chinese). Therefore, there is no direct economic competition in Africa. Actually, cooperation with Chinese companies would appear to be more beneficial, in the opinion of many Japanese researchers and specialists on Japan-Africa relations: areas of expertise are often complementary, many Japanese companies operate in China and maintain successful networks, and the goods they produce in China are already exported to Africa. With regard to infrastructure, a division of labor is feasible, with Japanese trading houses sub-contracting the construction of some basic infrastructure to more competitive Chinese companies, as they have already done with Korean companies. Despite the 52 cooperation agreements signed in 2018 at the first China-Japan Third Country Market Cooperation Forum, it appears that no concrete projects have been developed in Africa yet. Therefore, for some actors in the Japan-Africa relationship, "the rhetoric on China-Japan rivalry in Africa is neither justified, nor useful"[67], and the politicization of economic cooperation with Africa is causing frustration, particularly in the business community.[68]

65. R. Yoshida, "TICAD Closes with Effort by Japan to Differentiate Its African Investment Projects from China's", *The Japan Times*, August 30, 2019.

66. M. Hirono, "Asymmetrical Rivalry Between China and Japan in Africa: To What Extent Has Sino-Japan Rivalry Become a Global Phenomenon?", *op. cit.*

67. Interviews by video conference with Japanese researchers and specialists in Japan-Africa relations, December 2020.

68. H. Dempsey, "Japan Inc's Frustrations in Africa Demand a New Approach", *op. cit.*

Conclusion

The TICAD VII 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. Although the deployment of Japanese economic diplomacy has had some positive results, it has not been sufficient to fulfill the promises made by Tokyo. The government's economic diplomatic strategy (in its commercial and geopolitical aspects), which was originally designed for Asia, has shown its limitations in its implementation in Africa. In particular, the political rhetoric has tended to frame Japan-Africa cooperation in the context of the strategic rivalry between Japan and China, that is of a different nature in Africa and in Asia. This rhetoric 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.

Partnerships with third countries with extensive business networks in Africa are being encouraged to help Japanese companies with setup and enable them to expand their business activities while limiting the risks.[69] During the months leading up to the TICAD VII, JETRO organized African Investment Promotion Forums in France and Great Britain to identify partners for collaboration.[70] French, British, Indian or Turkish companies were also invited for the first time to the TICAD Summit in August 2019. The next TICAD will be held in Tunisia in 2022 and is an opportunity to develop partnerships with European countries.

A second priority is to encourage small and medium-sized enterprises (SMEs) and young entrepreneurs, who are more willing to invest in new and less well-known areas, such as Africa. The digital sector, innovation and investment in African start-ups, particularly in Kenya, are also identified as promising areas for the future.

69. The 'gold standard' is the merger of Toyota Tsusho with the French group, CFAO, in 2012 that enabled it to expand in western Africa and the Maghreb and to diversify its activities.

70. O. Caslin, "Le Japon cherche des appuis à Paris pour s'implanter en Afrique", *Jeune Afrique*, March 8, 2019.

Finally, TICAD has actually become a platform for networking and meetings between the Japanese and African business communities that is proving to be essential for boosting investment and trade in the longer term. TICAD VII in 2019 was clearly led by the private sector with the government only playing a supporting role. A trade show brought together 160 Japanese companies (half of these being SMEs) that exhibited their products to the African guests. 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 links between business communities, while including public actors.[71]

Therefore, a more realistic and long-lasting approach should emerge with a focus on SMEs and start-ups, innovation and working together with local partners or third parties. 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. From the African point of view, the ABE initiative is expected to train more than 3,000 young people in Japan who will undoubtedly provide invaluable support for Japanese companies on the continent in the future. This bodes well for a pool of people capable of making the Africa-Japan relationship prosper in the longer term.

Meanwhile, the COVID-19 pandemic has prompted the return of many Japanese expatriates and will probably severely affect future investment opportunities, with the International Monetary Fund (IMF) predicting a recession of more than 3% for sub-Saharan Africa in 2020.[72] Shinzo Abe's sudden resignation in September 2020 has also raised concerns about the next head of government's involvement in the relationship with Africa. The new prime minister, Yoshihide Suga, has focused on managing the COVID-19 crisis for the time being and has not yet been able to make his mark on foreign policy. The official visit to Africa by his Minister of Foreign Affairs, Toshimitsu Motegi, in early December was therefore part of a continuation of Abe's policy. Motegi went to Tunisia, which will host the next TICAD in 2022; Mozambique, a key country for LNG supply and infrastructure with the port of Nacala; South Africa a traditional partner of Japan and currently head of the rotating presidency of the African Union until February 2021; and Mauritius, which has suffered from an oil spillage from a Japanese tanker. During his official visit to Mozambique, the Japanese minister of foreign affairs mentioned the vision of "a Free and Open Indo-Pacific", gaining support from Maputo and offered $ 24 million worth of

71. S. Hayashi, "Japan's One-Stop Shop for Africa Projects Aims to Match China", *Nikkei Asian Review*, March 7, 2019.

72. "Japanese Firms' Africa Expansion Hit by COVID-19 and Abe Exit", *Japan Times*, September 21, 2020.

development assistance, mainly to equip the coast guard.[73] Besides these pledges, if Japan wants to develop a more strategic approach to the continent, it will have to maintain long-term political and economic interest in Africa and develop its expertise on African issues.

73. "Japan Foreign Minister Vows to Promote Investment in Mozambique", *The Mainichi Shimbun*, December 12, 2020.

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