

India-Japan partnership to play key role in Asia-Africa corridor



The idea of AAGC emerged in the joint declaration issued by Indian Prime Minister Narendra Modi and Japanese Prime Minister Shinzo Abe in November 2016. Photo: Bloomberg

4 min read . Updated: 25 May 2017, 01:36 AM IST

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India's alliance with Japan is set to play a key role in the proposed 'Asia Africa Growth Corridor' as the island country looks to invest close to \$200 billion in the project



Ahmedabad: India's alliance with Japan is set to play a key role in the proposed 'Asia Africa Growth Corridor' (AAGC) as the island country looks to invest close to \$200 billion in the proposed project, according to two officials close to the development. One of these officials did not want to be named.

"Japan is ready to commit about \$200 billion in the proposed growth corridor. An announcement on the same is expected to be made in the month of September this year. Japan has already invested about \$32 billion in infrastructure projects in Africa. India is working on its investment plans and should be able to decide in the next few months. A detailed plan for the corridor should also be in place by then," said Sachin Chaturvedi, director general of Research and Information System for Developing Countries (RIS), a New Delhi-based think tank. He was speaking on the sidelines of an event on Japan-India co-operation for the development of African nations that was part of the ongoing annual general board meeting of African Development Bank (AfDB) at Gandhinagar.

RIS, Economic Research Institute for ASEAN and East Asia and Institute of Developing Economies—Japan External Trade Organization (JETRO) on Wednesday released a 'vision document' on Asia Africa Growth Corridor, Partnership for Sustainable and Innovative Development.

Lauding the partnership between India, Africa and Japan, Taku Otsuka, state minister of finance, Japan, said that it was a 'win-win-win' for all.

The idea of AAGC emerged in the joint declaration issued by Indian Prime Minister Narendra Modi and Japanese Prime Minister Shinzo Abe in November 2016.

The four main components of AAGC listed in the vision document include development and co-operation projects, quality infrastructure and institutional connectivity, capacity and skill enhancement and people-to-people partnership. Further, AAGC include human resource training, setting up pan Africa E-network, developing capacities to sustain infrastructure, greenfield projects, investment opportunities, renewable energy, power grids, agriculture and agro processing, disaster management, joint venture projects and private sector financing.

At the India-Africa Forum Summit 2015, Modi announced a \$10 billion line of credit that marked a new approach to engagement with African countries. This not only helped finance the projects in African countries but have also contributed to capacity-building and education. India is the fifth-biggest investor in Africa, with investments over the past 20 years amounting to \$54 billion, creating jobs for Africans.

Prime Minister Modi while inaugurating the AfDB annual meeting said in his address on Tuesday that India is working with the US and Japan to support development in Africa. Talking about the vision document, the Prime Minister said that ‘the idea is that India and Japan, with other willing partners, would explore joint initiatives in skills, health, infrastructure, manufacturing and connectivity.’ According to Modi, his government has made Africa a top priority for foreign and economic policy.

AAFC will give priority to development projects in health and pharmaceuticals, agriculture and agro-processing, disaster management and skill enhancement. The AAGC Vision Study, which will lay a broad roadmap for development of the project, will use geographical simulation model (GSM) to bring out the economic gains for Africa through its integration with India, South Asia, Southeast Asia, East Asia and Oceania.

Citing a KPMG study, Kodeidja Diallo, director of private sector development, AfDB said that Africa provides an opportunity for \$2.4 trillion. “As many as 400 projects worth \$70 billion have been discussed. So far investment of about \$2.5 billion is already in the pipeline of which \$1.5 billion is for the agriculture sector,” she said.

India’s outreach programme for Africa comes at a time when China is implementing its ‘One Belt, One Road’ (OBOR) initiative by which it aims to link itself with markets in Europe and Africa through Asian countries and the Indian Ocean.

Kastsumi Hirano, executive vice-president of JETRO said in his address that investment from Chinese companies have been on a rise and has created employment in Africa, there is a question mark on the profitability and accountability of Chinese projects in Africa.

In his inaugural speech at the AfDB event, finance and defence minister Arun Jaitley had said that the partnership model between India and Africa is on a voluntary basis and was devoid of any conditionality.

Shailesh Pathak, CEO, CityInfra Capital and B20 Infrastructure member, who was part of the delegation for the India-Japan event said that AAGC may be seen by many as a reply to OBOR. “The partnership between Japan and India where the former has the financial resources and technology and India has rich experience and networks in Africa will chart a new chapter of growth in the proposed corridor,” said Pathak.

Chinese companies have a huge presence in Africa and Japan has been lacking on this front, according to Jay Singh, managing director of Sakota Seed India, a 103-year-old company based in Yokohama. He further said that all this would change with India and Japan joining hands to develop the continent.

S. Kuppuswamy, who heads Shapoorji Pallonji Group's African business, said that India and Japan should join hands for co-financing projects in emerging economies.

When asked if AAGC was a counter to China's OBOR, Neena Malhotra, joint secretary of East & Southern Africa, Ministry of External Affairs, said that it was not the case. The purpose of AAGC, she said, was not to compete with anyone but to work out a growth model that was inclusive for all.