

The Asia–Africa Growth Corridor: Bringing Together Old Partnerships and New Initiatives

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ABSTRACT Ties between India and Japan are historical and enduring. In the Asia-Africa Growth Corridor (AAGC), the leaders of the two countries have married their respective countries’ “Act East” policy and “Free and Open Indo Pacific” aspirations. The AAGC is envisioned to provide a renewed opportunity for partnership where both regions can complement each other’s development and growth. The AAGC will bring out the economic gains for Africa through its integration with India, South Asia, Southeast Asia, East Asia and Oceania. It is also a roadmap for creating new channels for production of goods and services, and for connecting institutions and people in the two regions.

INTRODUCTION

The relationship between Asia and Africa is old in history and contemporary in aspirations. Their common past struggles offer the two continents enormous scope for cooperation. This bond is apparent in their coming together on many occasions:

bilaterally, subregionally, and as a global force as the “one voice” of the developing world.

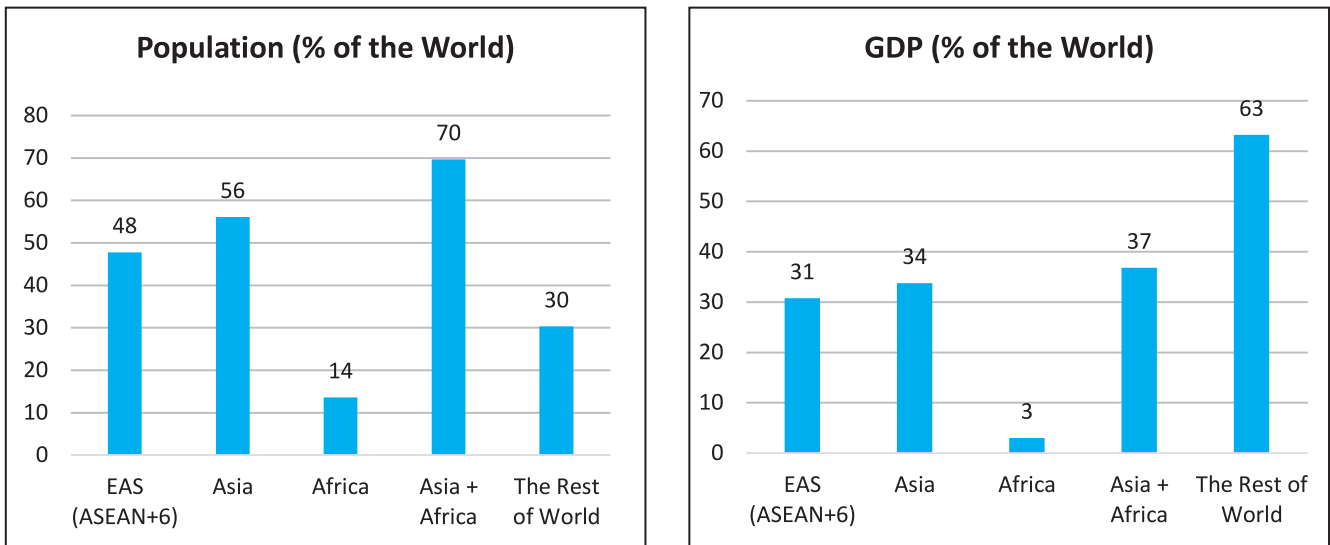
The Asian economy, especially East Asian economy,¹ has proven resilient over the years, in turn helping push the global economy.

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Figure 1: Combined Strength of Asia and Africa



Source: World Bank, 2017.

Africa, meanwhile, is still on the growth path. Its young demography and economy require integration and expansion into Asia’s value chains of production. Together, Asia and Africa represent 70 percent of global population and 37 percent of global GDP.

The next decade will be an opportunity for both regions to realise their economic and social potential as well as deepen their capacities and institutional strengths. As developing regions, both continents are expected to promote strong, balanced, sustainable and inclusive growth at national and international levels, and to actively cooperate in narrowing existing development gaps and addressing common economic and social challenges. The Asia–Africa Growth Corridor (AAGC) is the chosen pathway to reach these goals.

AAGC: INDIA AND JAPAN LEAD THE WAY

In the joint statement issued during the India–Japan Annual Summit of November

2016, the two prime ministers declared that the two countries would seek active participation from the international community in the Asia Africa Growth Corridor (AAGC) Programme. Prime Minister Narendra Modi and his counterpart, Shinzo Abe, said in their statement that improved ties between Asia and Africa will bring about economic prosperity and encourage sustainable development. This will be done through the setting up of institutional and industrial corridors and networks for capacity enhancement, free and seamless movement of people, trade, investment, energy and partnership for infrastructure.

Officially named the “Asia–Africa Growth Corridor: Partnership for Sustainable and Innovative Development,” this megaregional growth programme will be built on a foundation that lies in the India–Japan bilateral cooperation framework. The Indian and Japanese governments have made a commitment to giving shape to the AAGC programme.

A vision document of the AAGC was presented in the Africa Development Bank (AfDB) Annual Meeting on 25 May 2017 in Ahmedabad.² The document predicts that in Africa’s integration with Asia, the regions of South Asia, West Asia, Southeast Asia, East Asia and Oceania will play important roles. It proposes four major pillars to bring peoples, goods, services, capital and institutions closer together,³ and help realise the objectives of the Asia–Africa partnership for sustainable and innovative development:

1. development and cooperation projects;
2. quality infrastructure and institutional connectivity;
3. enhancing capacities and skills; and
4. people-to-people partnership.

These pillars will facilitate and enhance economic growth by linking economies in Asia and Africa, which in turn will lead to improvement in various arenas, including: a) institutional and human capacity; b) connections between institutions and people; c) the planning and execution of projects; d) trade facilitation; e) human resource development; f) technology improvement; and g) infrastructure (port, airport, industrial park, telecommunication, IT) of the two continents. The AAGC focuses on capacity-building and expanding the manufacturing base and trade between Africa and Asia. The idea is to transform the region into a growth corridor that will embed the development processes and value chains in Africa and Asia. It will enable the connected economies to further integrate and emerge as a globally competitive economic region. Moreover, the AAGC is aligned with Agenda 2030, wherein green projects are to receive priority funding and implementation.

WHAT ASIA CAN OFFER AFRICA THROUGH THE AAGC

The AAGC has a twofold purpose:

1. It brings the development experience of East Asia, Southeast Asia and South Asia closer to Africa and makes a case for greater economic connectivity and cooperation for development between the two megaregions.
2. It presents a development paradigm for Africa in which Asia—specifically India and Japan—leads the regional and global initiatives for enhancing prosperity. This offers the freedom to pursue development plans that are suitable for, and in sync with, the development priorities of countries in Africa, Asia and the Asia Pacific region.

The AAGC, therefore, is not merely a plan for the development and cooperation between Asia and Africa. It is also the underwriter of the freedom of movement of people, goods, services and capital in the geographical spread between the western edges of Africa and the eastern edges of Asia and Oceania. The AAGC is the first such attempt to prepare a growth plan that connects two continents, where the development strengths of Asia are shared and dovetailed with the development priorities of the countries/regions of Africa. Thus, the prosperity of the people of Africa and Asia is at the centre of all development plans and projects under its aegis.

TRADE, INVESTMENT AND DEVELOPMENT COOPERATION

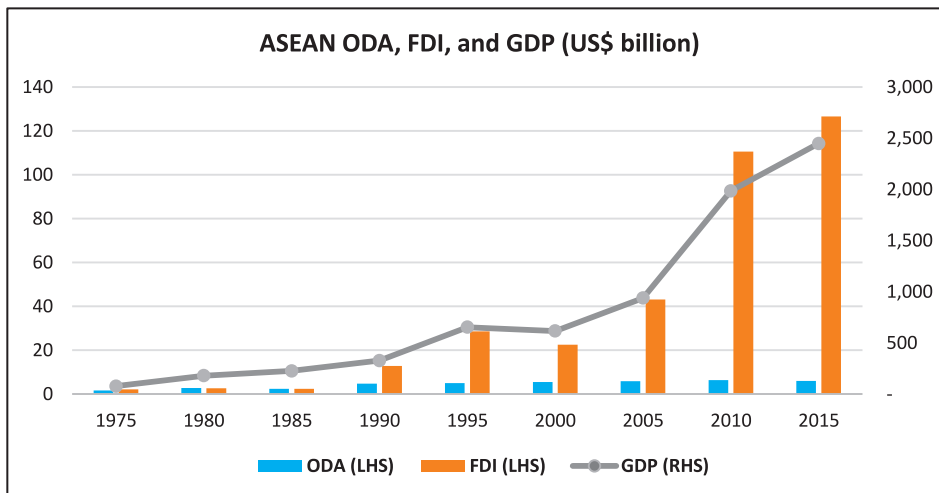
The AAGC emphasises the importance of trade, investment and development

cooperation-led growth in Africa, and between Asia and Africa. For trade and investment-led growth, the AAGC can learn from the Association of Southeast Asian Nations (ASEAN). The industrialisation of this region and the accompanying prosperity of its people have helped improve its socioeconomic and human-development indicators. The value chains of production in East Asia are the most sophisticated in the world. Indeed, while the initial stages of development in this region were a result of official development assistance (ODA) received from developed

countries such as Japan and the United States, the subsequent critical mass of growth was achieved through regular foreign direct investments (FDI), increased trade, and domestic consumption of goods and services.

ASEAN was introduced to FDI-led growth early on, although in the 1970s and 1980s, ODA and FDI levels were almost equal in this region. Early investment in connectivity, infrastructure and production networks created conditions for increased investments, leaving ODA-led growth behind.

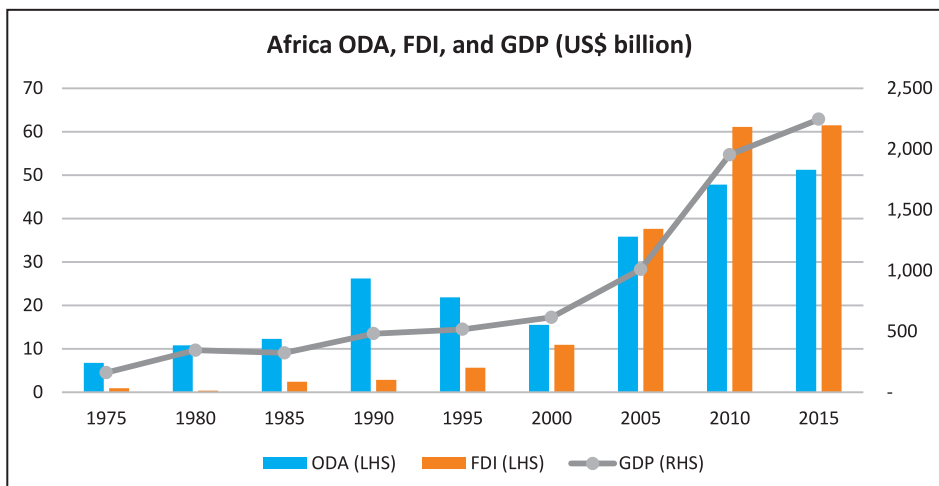
Figure 2: ODA and FDI, and Corresponding GDP Growth in ASEAN*



*Note: Data excludes Singapore.

Source: OECD, UNCTAD Stat and World Bank, 2017.

Figure 3: ODA and FDI, and Corresponding GDP Growth in Africa



Source: OECD, UNCTAD Stat and World Bank, 2017.

In the case of Africa, the ODA and FDI stand roughly at same level. Based on Africa’s needs, the AAGC will create infrastructure—both physical and institutional—and connectivity to enhance investment-led growth.

Trade and investment require support mechanisms of lowering of tariffs and improving trade facilitation measures, along with improved connectivity across the borders. These have helped the East Asian region create a dynamic growth model with sustainable results. An analogous growth of institutions and best practices, especially in less developed countries, has further contributed to sustainable growth in Southeast Asia. In addition to FDI, economic and technical cooperation among EAS countries continue to play important roles in regional growth.

The AAGC is expected to carry the Asian development experience and its production networks, and expand the existing connectivity and value chains between Africa and Asia. For this, Asia finds a natural partner in Africa, since there is already a historical and practical economic connection waiting to be deepened and expanded through new channels of investment and development cooperation. Old partnerships and new initiatives are brought together in the AAGC.

Africa, however, requires a measured combination of investments and development assistance. The AAGC’s current challenge is to expand and integrate the value chains of production in a two-way flow of goods and services. In this, balancing the ODA programmes with FDI initiatives will be important, as human resource and

institutional and physical capacities must grow simultaneously.

The objective of the AAGC is to create conditions and capacities in the recipient country/region that will support direct investments for production of goods and services, and develop capacities for sustaining the growth results. The AAGC envisions sectoral programmes under its four pillars, which will create suitable conditions and capacities for growth in Africa in the respective focus areas. The natural diversity that exists in the region can be developed through investments in the traditional strengths of African economies. Green projects will be a priority in the AAGC.

A STEERING ROLE FOR INDIA AND JAPAN

India has a long history of development cooperation and assistance with Africa. It has a leading role amongst development partners of Africa in capacity-building, infrastructure and the energy sector. It has competitive strength in providing affordable, appropriate and adaptable technology, and in project execution. At an institutional level, the India–Africa Forum Summit (held every three years) is the apex level of India’s engagement in growth and development programmes in Africa. India’s relations with Africa are not based only on business, but on a model of cooperation that is responsive to the needs of African countries. It is demand-driven and free of conditions.

Japan’s complementary role in Africa is in its strong Official Development Assistance (ODA) programme in the continent. Japan’s low cost of capital and high savings can fund development activities in Africa. Its expertise in designing,

planning and hardware infrastructure is further supported by its capacity to transfer capabilities to manage supply chains in the manufacturing sector and infrastructure projects. The Tokyo International Conference on African Development (TICAD) is held every four years. Assistance measures that leverage Japan’s strengths and experiences were identified at the Sixth Tokyo Conference on African Development (TICAD VI) in August 2016, under the following three pillars:

1. promoting structural economic transformation through diversification and industrialisation;
2. promoting resilient health systems; and
3. promoting social stability.

Africa has tremendous scope for growth, but the development priorities among countries, regions and subregions can vary. The cooperation, infrastructure and connectivity development programme under the AAGC will align and integrate these needs at the national, regional and subregional levels. Through the AAGC, India and Japan bring a shared repertoire of development cooperation strengths for Africa.

ALIGNING THE AAGC WITH AFRICA’S DEVELOPMENT PRIORITIES

The four main components of the AAGC—development and cooperation projects, quality infrastructure and connectivity, capacity and skill enhancement, and people-to-people partnerships—are complementary. These components have four common dimensions:

1. They connect Africa with the strengths of India, Japan and the larger region of South Asia, Southwest and Southeast Asia, East Asia and Oceania.

2. They are designed around the development priorities of countries and/or regions in Africa, particularly the Agenda 2030, African Union’s Agenda 2063, and its Programme for Infrastructure Development in Africa (PIDA).
3. They put people at the core of connectivity and development and cater to their aspirations and needs.
4. They create development programmes and projects based on equal partnership, mutual trust and cooperation.

On the ground, the AAGC is expected to be instrumental in creating new production channels, expanding and deepening existing value chains, ensuring economic and technical cooperation for enhancing capacities, facilitating a greater flow of peoples between the two continents, and achieving short-term and long-term sustainable growth. The AAGC will be developed through quality infrastructure and complemented by digital and regulatory connectivity. The most important aspects of the AAGC are its intentions to put people at the core of its planning and to create programmes and projects that are in sync with national and/or regional development priorities and plans.

Additionally, other multilateral and trilateral initiatives for Africa will seek linkages and partnerships between Asia and Africa in the AAGC and can develop their own complementarities for Africa.

HARNESSING INDIA’S ECONOMIC DYNAMISM WITH THE AAGC

India has seen exponential growth in the past few decades and today it is a large market for,


and provider of, goods and services. Two decades of liberalisation and economic engagements with other regions of the world have brought prosperity in many parts of the country. However, a vast portion of its economic dynamism remains untapped, both as a recipient and supplier of goods, services, FDI, technology and knowledge-intensive products and services, and human resource.

The country has been a key votary of regionally comprehensive economic development and cooperation strategy in South Asia, West Asia, Southeast Asia and East Asia. Its trade and investment relations with all parts of Asia continue to grow. Moreover, India’s historical, cultural and economic ties with Africa are singular. They put India in a natural position to connect the two megaregions through trade, investment, infrastructure, institutions and people. As a common partner of Asian and African countries, India is positioned to play a crucial role in the AAGC. In doing this, India stands to improve its own integration into the global value chains of production.

AAGC ALIGNS BILATERAL AND TRIANGULAR COOPERATION FOR DEVELOPMENT

When PM Modi and PM Abe met for the annual Prime Ministerial Summit meeting in Tokyo on 11 November 2016, the two

directed both countries to draw on the strength of their shared values, convergent interests, and complementary skills and resources, to promote economic and social development, capacity-building, connectivity, and infrastructure development in the Asia Pacific region. It was agreed that this initiative would combine human, financial and technological resources of the two countries to advance these objectives. This cooperation aims to strengthen a rules-based international order in the Indo-Pacific and beyond, creating a prosperous region in the 21st century.

The AAGC is an outcome of this bilateral commitment to improve connectivity between and within Asia and Africa by realising a free and open Indo-Pacific region, factoring in India’s “Act East” policy and Japan’s “Expanded Partnership for Quality Infrastructure.” The AAGC is being developed in cooperation with the international community to promote development cooperation and industrial network in Asia and Africa. It sets a model for inter-regional growth, propelled by mutual trust and cooperation among partner countries. It is a new model of bilateral and triangular cooperation, where partners combine their strengths to advance regional and global growth. The AAGC may yet prove to be a growth and trust multiplier in Asia and Africa, and beyond. 

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5. UNCTAD. *World Investment Report*. Geneva: United Nations. 2017.

ENDNOTES

1. In the AAGC, the geographical concept of East Asia comprises Southeast Asia, Northeast Asia and Oceania or ASEAN+6. This includes ASEAN 10, China, Japan, Korea, India, Australia and New Zealand, corresponding to original 16 East Asia Summit (EAS) countries. The EAS 16 is an economically compact region with Free Trade Agreements between ASEAN and its six dialogue partners. The EAS 16 countries are now negotiating a regional comprehensive economic partnership agreement (RCEP).
2. On behalf of the Economic Research Institute for ASEAN and East Asia (ERIA), Jakarta, the author co-wrote the AAGC Vision Document, 2017 with the Research and Information System for Developing Countries (RIS), India and the Institute for Developing Economies (IDE-JETRO), Japan. A Track 1.5 study for AAGC is being jointly developed by the same organisations, along with research institutions from Africa, Southeast Asia and Oceania.
3. AAGC advances ERIA's previous research on connectivity and production networks, such as the Asia-Europe Connectivity Vision Document 2025, the Comprehensive Asia Development Plan (CADP II), and CADP 2.0.



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