

## Key Issues:

- **The Asia Africa Growth Corridor** is expected to promote balanced, sustainable, and inclusive growth in Asia and Africa.
- **Africa is on growth path**, which can be given further impetus through its integration and expansion into the global value chains of production that exist in Asia.
- **Asia comes closer to Africa** through greater economic connectivity and development cooperation, which ensures freedom of movement of people, goods, services, and capital in the Indo Pacific region.

## Asia Africa Growth Corridor: Development Cooperation and Connectivity in the Indo-Pacific

Anita Prakash

Asia and Africa are conjoined by the Indian Ocean and the two regions provide a renewed opportunity for partnership for sustainable development.

The conceptualisation of an Asia Africa Growth Corridor (AAGC) by Prime Ministers Shinzo Abe and Narendra Modi is the convergence of the Free and Open Indo Pacific (FOIP) and Act East Policy of the two countries. The AAGC will bring out the economic gains for Africa through its integration with India, South Asia, Southeast Asia, East Asia, and Oceania. It sets out a new paradigm of connectivity and cooperation in Indo Pacific region.

AAGC draws on the strength of shared values, convergent interest, and complementary skills and resources, to promote economic and social development, capacity building, connectivity, and infrastructure development in the Indo-Pacific region. It is expected to be a model for inter-regional growth, propelled by mutual trust and cooperation amongst friends and partner countries in Asia, Oceania, and Africa.

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## Introduction

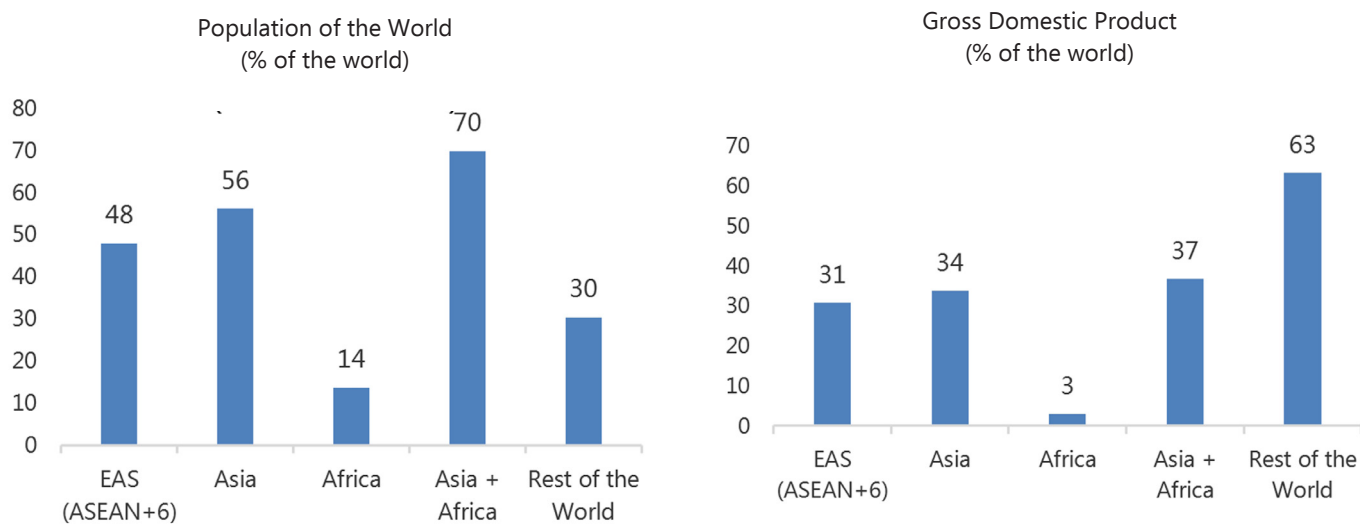
Asia and Africa have historical relations. They share their past struggles, present efforts, and prospects for a bright future, where cooperation prospects for growth are enormous. The two continents always come together on many occasions – bilaterally, sub-regionally, as a global force and as the ‘one voice’ of the developing world on issues that touch human concerns of every kind. The Indian Ocean is the natural link between the two regions, enabling trade and connectivity since time immemorial.

The Asian economy, especially East Asia,<sup>1</sup> has showed strong resilience and provided a robust driving force for the global economy in the past, and continues to provide tailwinds for the global economy. Africa, on the other hand, is on a growth path. Its young demography and economy require integration and expansion into the global

<sup>1</sup>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, the Republic of 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).

value chains of production that exist in Asia. Together, Asia and Africa stand head and shoulders above other parts of the world. The two regions represent 70% of the global population and 37% of global gross domestic product.

**Figure 1: Combined Strength of Asia and Africa**



ASEAN = Association of Southeast Asian Nations  
 Source: World Bank, 2017

The next decade will be an opportunity for both regions to realise their economic and social potentials, and also to deepen their capacities and institutional strengths. As developing regions, both continents are expected to show commitment to promoting strong, balanced, sustainable, and inclusive growth, both at the national and international level, and to actively cooperate to narrow the development gaps and to address common economic and social challenges. The Asia Africa Growth Corridor (AAGC) is expected to be the chosen pathway to reach these goals

## Shaping the Asia Africa Growth Corridor

In the Joint Statement of the India–Japan Annual Summit of November 2016, the prime ministers of India and Japan envisaged that their countries would actively cooperate in the Asia Africa Growth Corridor Programme. Improved and intensified ties between Asia and Africa here will bring about economic prosperity and encourage sustainable development through setting up of institutional as well as industrial corridors and networks for capacity enhancement, free and seamless movement of people, trade, investment, energy, and partnerships for infrastructure in and between Asia and Africa.

Formally termed the 'Asia Africa Growth Corridor: Partnership for Sustainable and Innovative Development', the foundations of this mega regional growth programme lie in the India–Japan bilateral cooperation framework, where the governments of India and Japan have committed themselves to giving shape to the Asia Africa Growth Corridor (AAGC) programme. A Vision Document of the Asia Africa Growth Corridor was presented in the Africa Development Bank (AfDB) Annual Meeting on 25 May 2017, held in Ahmedabad, India.<sup>2</sup>

<sup>2</sup> On behalf of the Economic Research Institute for ASEAN and East Asia (ERIA), Jakarta, this author co-wrote the AAGC Vision Document, 2017, with Research and Information System for Developing Countries (RIS), India and 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.

<sup>3</sup> AAGC advances ERIA's previous research on connectivity and production networks, such as the Asia–Europe Connectivity Vision Document 2025, and the Comprehensive Asia Development Plan (CADP II), and CADP 2.0.

The AAGC foresees Africa's integration with Asia, in which South Asia, West Asia, Southeast Asia, East Asia and Oceania play an important part. AAGC proposes four major pillars to bring peoples, goods, services, capital and institutions closer together,<sup>3</sup> and to realise the objective of the Asia Africa partnership for sustainable and innovative development.

The Vision Document of AAGC lays down four important pillars of connectivity and cooperation:

- Development and Cooperation Projects
- Quality Infrastructure and Institutional Connectivity
- Enhancing Capacities and Skills
- People-to-people Partnership

These will facilitate and enhance economic growth by linking economies in Asia and Africa through development of institutional and human capacity, connecting institutions and people – their capacities for planning and execution of projects, trade facilitation, human resource development and technology improvement; and the infrastructure (ports, airports, industrial parks, telecommunication, and information technology) of the two continents. The emphasis of the AAGC is 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 which would embed the development processes and value chains in Africa and Asia. It will enable the connected economies to further integrate and collectively emerge as a globally competitive economic region. The AAGC remains specially aligned with Agenda 2030, where green projects would get priority funding and implementation.

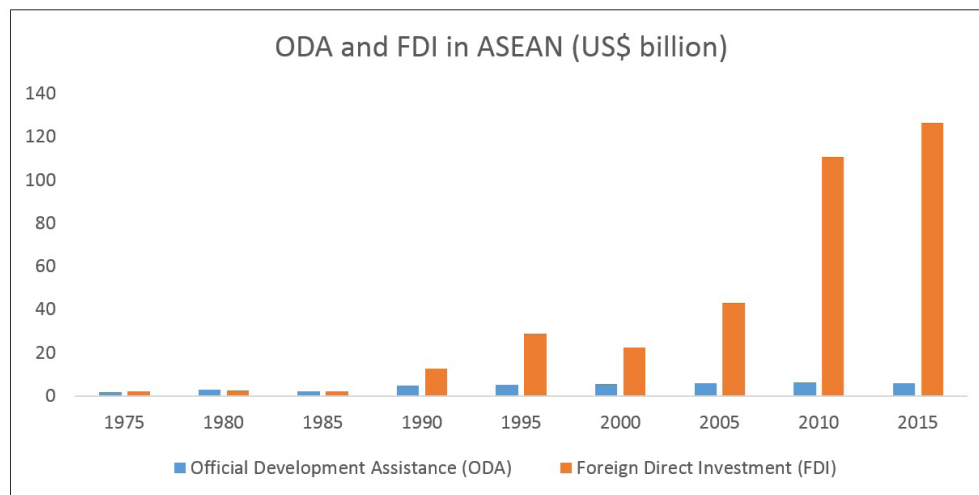
The Asia Africa Growth Corridor (AAGC) has a twofold purpose. It brings the development experience of East Asia, Southeast Asia, and South Asia closer to Africa and makes a case for greater economic connectivity and cooperation for development between the two mega regions. Second, it presents a development paradigm for Africa in which Asia, and more specifically India and Japan, lead the regional and global initiatives for enhancing prosperity, and a freedom to pursue development plans that are suitable for, and in sync with, the development priorities of countries in Africa and Asia, and the Asia-Pacific region. The AAGC, therefore, is not merely a plan for development and cooperation between Asia and Africa. It is also the underwriter of the freedom of movement of people, goods, services, and capital in a geographical spread between the Western edges of Africa to 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 and regions of Africa. The AAGC keeps the prosperity of the people of Africa and Asia, and their development priorities at the centre of all development plans and projects under its aegis.

## Trade, Investment, and Development Cooperation

Trade, investment, and development cooperation – all three are important for growth in Africa, and enhanced economic relations between Asia and Africa. For trade and investment led growth, Africa can learn from the Association of Southeast Asian Nations (ASEAN). The industrialisation of this region, and the accompanying prosperity of its people, has helped to improve its socio-economic and human development indicators. The value chains of production in East Asia are some of the most advanced in the world. The initial development of this region was a result of the official development assistance (ODA) received from the developed countries such as Japan and the United States. The critical mass of development and subsequent growth was achieved through regular foreign direct investments (FDI), increased trade, and more recently increasingly through domestic consumption of goods and services.

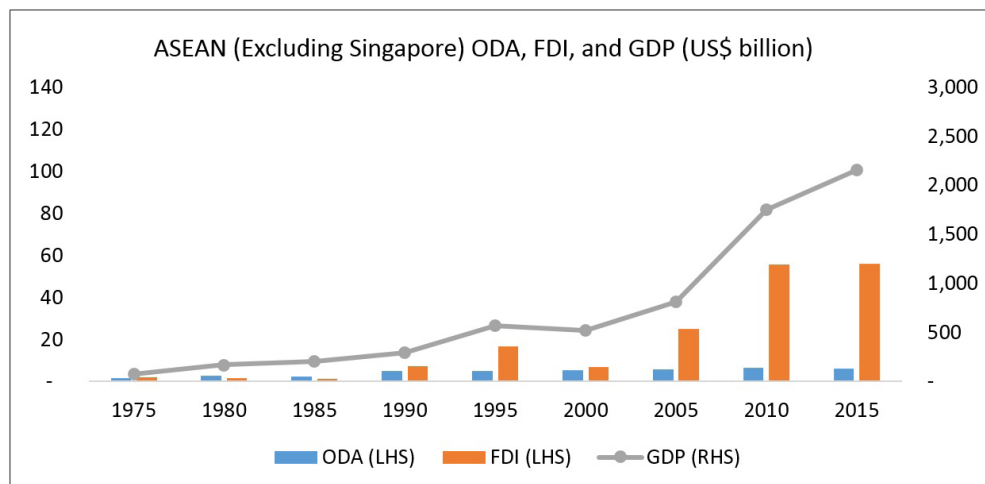
ASEAN was introduced to FDI-led growth early, although in the 1970s and 1980s, ODA and FDI levels were largely equal. Early investment in connectivity, infrastructure, and productions networks created conditions for increased investments, leaving ODA-led growth behind. Figures 2 and 3 below show investments overtaking ODA in ASEAN over the years. The rise in growth is in direct proportion to the increase in investments in the region, underlining the importance of creating beneficial investment conditions.

Figure 2: Official Development Assistance and Foreign Direct Investment Levels in ASEAN



Source: OECD and UNCTAD, 2017.

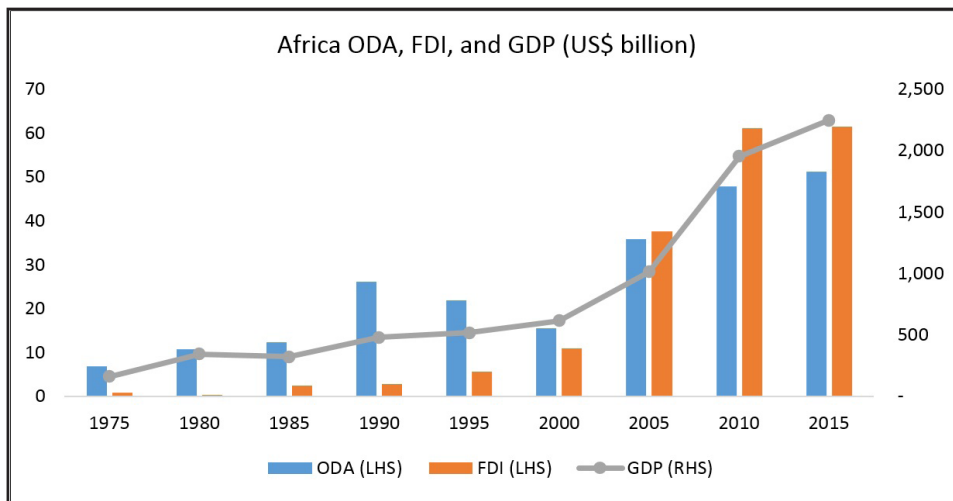
Figure 3: Official Development Assistance and Foreign Direct Investment, and Corresponding Gross Domestic Product Growth in ASEAN, Excluding Singapore



LHS = left-hand side; RHS = right-hand side.  
Source: OECD, UNCTAD Stat, and World Bank, 2017.

In contrast, ODA and FDI in Africa stand at roughly the same level. In its African Economic Outlook for 2018, the African Development Bank estimated that Africa needs at least US\$130 billion for infrastructure development each year. Africa is about to become the world's fastest-urbanising region. Africa is urbanising faster than any other region; its cities are expected to gain 24 million people each year until 2045. Africa has a young population and a growing labour force – a highly valuable asset in an ageing world. By 2034, the working-age population is expected to be 1.1 billion, larger than that of China or India (MGI, 2016). It is expected that the AAGC will create both physical and institutional infrastructure and connectivity to enhance trade and investment led growth in Africa, and balance it with creation of skills and capacities through development cooperation.

**Figure 4: Official Development Assistance, Foreign Direct Investment, and Corresponding Gross Domestic Product Growth in Africa**



LHS = left-hand side; RHS = right-hand side.  
Source: OECD, UNCTAD Stat, and World Bank, 2017.

## A Measured Combination of Development Assistance and Investment for Africa

Africa requires a measured combination of investments and development assistance. The challenge for the Asia Africa Growth Corridor 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 resources, and institutional and physical capacities must grow simultaneously. As Africa diversifies its growth in different sectors, its development and investment plans must focus on creation of infrastructure, capacities, and institutions. The AAGC will focus on creating capacities and infrastructure to sustain and improve these growth results.

The objective of 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. AAGC envisages sectoral programmes under its four pillars, which will create conditions and capacities for growth in Africa in the respective focus areas. The natural diversity that exists in the region can be developed positively through investments in traditional strengths of African economies. Green Projects will always be a priority in AAGC.

## India and Japan Can Anchor Development Cooperation in AAGC

India has a long history of development cooperation and development assistance in 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 3 years) is the apex level of India's engagement in growth and development programmes in Africa. India's relations with Africa are not just centred on business. India's partnership with Africa is based on a model of cooperation that is responsive to the needs of African countries. It is demand-driven and free of conditions. During the Third India–Africa Forum Summit in 2015, India offered US\$10 billion for development projects in Africa over the next 5 years, with an additional grant assistance of US\$600 million. Much of this assistance and credit is committed for development cooperation programmes for capacity development, infrastructure and energy, and disaster management. The defining role of India's private sector's engagement in different regions in Africa is noteworthy, as they stay ahead of policymakers in terms of initiatives and investments for economic and infrastructure development in Africa. India's private sector is at the forefront of driving this impetus. From 1996 to 2016, Africa accounted for nearly one-fifth of Indian overseas direct investments. India is the fifth largest country investing in the continent, with investments over the past 20 years amounting to US\$54 billion, creating jobs for Africa.

Japan's complementary role in Africa is in its strong ODA programme in Africa. The Tokyo International Conference on African Development (TICAD) provides an open forum to generate innovative discussion amongst stakeholders participating in the African

development programmes. Since its inception in 1993, TICAD has contributed to improving social and economic conditions in Africa mainly through aid grants and technical assistance. Under TICAD V (2013–2017) commitments, Japan identified three thrust areas for its development support in Africa – robust and sustainable economy, inclusive and resilient society, and peace and stability. Under these three heads, Japan has committed ODA of US\$30 billion for financing of African development.

Japan encourages Africa's ownership of Japan's development assistance programmes. Assistance measures that leverage Japan's strengths and experiences have been identified at the Sixth Tokyo Conference on African Development (TICAD VI) in August 2016, under the following three pillars:

- I. Promoting structural economic transformation through diversification and industrialisation;
- II. Promoting resilient health systems; and
- III. Promoting social stability.

The Japan International Cooperation Agency (JICA) is implementing various cooperation programmes with domestic and international partners to support sustainable growth in Africa. These efforts are in line with the commitments of the Government of Japan at TICAD VI. Japan is supporting African growth through public and private means of 3.2 trillion yens, including ODA of around 1.4 trillion yen and other public and private resources of around US\$16 billion.

The key areas of Japan's support for Africa are investment promotion, logistics and trade facilitation, and capacity development for business and industry. Development of Strategic Master Plans and transportation infrastructure are hallmarks of Japan's development support for Africa. Market-oriented agriculture, reduction of disasters, promotion of sustainable development, quality education, gender mainstreaming in employment, and water and sanitation are the key areas of development that are foreseen to be financed by Japan under the TICAD VI commitments. Assistance in universal health coverage (UHC) has also been initiated to strengthen health systems in the region.

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

## AAGC Components are Synced with Africa's Development Priorities

The four main components of 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:

- (i) They connect Africa with the strengths of India, Japan, and the larger region of South Asia, Southwest and Southeast Asia, East Asia, and Oceania
- (ii) They are designed around the development priorities of countries and/or regions in Africa, in particular the Agenda 2030, African Union's Agenda 2063 and its Programme for Infrastructure Development in Africa (PIDA)
- (iii) They put people at the core of connectivity and development and cater to their aspirations and needs, and;
- (iv) They create development programmes and projects based on equal partnership, mutual trust, and cooperation.

AAGC puts people at the core of its planning; its programmes and projects will be in sync with national and/or regional development needs.

Other multilateral and trilateral initiatives for Africa will also be able to seek linkages and partnership between Asia and Africa in the AAGC, and can develop their own complementarities for Africa.

## AAGC focus is on Agriculture, Quality Infrastructure, and Sustainable Development

AAGC emphasises livelihood, capacity to sustain development projects, and integration into regional value chains of production. In this context, the role of agriculture will continue to be important. An Agriculture plus model will create backward and forward linkages with global and regional value chains of food production and manufacturing. Given the large dependence of populations on agriculture, it will be nurtured as a growth engine. A reciprocal relation of agriculture and industry in backward and forward links would strengthen the growth of each sector. Improving capacities for innovation and productivity in agriculture is the way forward

Quality infrastructure in AAGC addresses five important aspects. It should:

- a) Mobilise financial resources effectively
- b) Align with socio-economic development and development strategies of countries and regions
- c) Apply quality standards in terms of compliance with international standards established to mitigate environmental and social impact
- d) Provide economic efficiency and durability, inclusiveness, safety and disaster-resilience, and sustainability
- e) Contribute to the local society and economy

Therefore, quality infrastructure would remain in harmony with the local environment, community, and people's livelihoods. This will enable better growth and development within Africa, and with other continents, with added spillovers into global peripheries of growth.

Linking of development projects and growth corridors with sustainable development goals is the litmus test. The AAGC would plan and implement development mechanisms that adhere to respective SDGs.

## Renewed Partnerships in Indo Pacific Region

When Mr. Narendra Modi, Prime Minister of India, and Mr. Shinzo Abe, Prime Minister of Japan, met for the annual Prime Ministerial Summit meeting in Tokyo, on 11 November 2016, the two prime ministers directed both countries to draw on the strength of shared values, convergent interests, and complementary skills and resources, to promote economic and social development, capacity building, connectivity, and infrastructure development in the Indo-Pacific region. It was agreed that this initiative would combine human, financial, and technological resources of the two countries to advance these objectives. Importantly, this cooperation would strengthen a rule-based international order in the Indo-Pacific region and beyond. The Asia Africa Growth Corridor is the outcome of this bilateral commitment to realising a 'Free and Open Indo-Pacific' region, bringing together India's 'Act East' Policy and Japan's 'Expanded Partnership for Quality Infrastructure'. The foundation of AAGC is being developed jointly and cooperatively with the international community.

AAGC will set a model for inter-regional growth, propelled by mutual trust and cooperation amongst friends and partner countries in Asia, Oceania, and Africa.

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