

## **India-Japan AAGC (Asia Africa Growth Corridor): An Assessment**

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The Asia Africa Growth Corridor(AAGC) is an initiative of India and Japan, the stated objective of which is improving economic connectivity between Asia and Africa through industrial networks and capacity building measures. The origin of the idea can be traced back to the November 2016 Joint Statement issued by India and Japan during Prime Minister Narendra Modi's visit to Japan. The statement referred to "improving connectivity between Asia and Africa through realizing a free and open Indo-Pacific as vital to the entire region." This idea acquired a more concrete form in the Annual meeting of the African Development Bank in Ahmedabad, Gujarat in May 2017. A vision Document titled "Asia Africa Growth Corridor: Partnership for Sustainable and Innovative Development" was released. This document outlined the broad contours and objectives of the project. According to the document, the four pillars of the AAGC are Enhancing Capacity and Skills, Quality Infrastructure and Institutional Connectivity, Development and Cooperation Projects, and People to People Partnership. The vision document was jointly developed by the Research and Information System for Developing Countries (RIS), New Delhi; the Economic Research Institute for ASEAN and East Asia (ERIA), Jakarta; and the Institute of Developing Economies-Japan External Trade Organization (IDE-JETRO), Tokyo, in consultation with think tanks in Africa. India and Japan are the key overseers of this project, but the role of other players is unclear yet.

The vision document describes the AAGC as an attempt to connect the opportunities and aspirations of the two regions. From the vision document, the initiative appears to be primarily a sea corridor which intends to integrate Africa with South Asia, Southeast Asia, East Asia, and Oceania. The vision document stresses on providing quality infrastructure with a focus on people as the key to the project. It also places importance on being responsive to the Sustainable Development Goals.<sup>1</sup> The project will use the Geographical Simulation Model developed by

IDE/ERIA. This model will help in drawing out the economic gains for the region from the project through estimating the impact of the various trade and transport facilitation measures.

The first component of the AAGC, which is Development and Cooperation Projects, focusses on sectors such as Agriculture and Agro Processing, Health and Pharmaceuticals, and Disaster Management. The second component, mentioned above, lays emphasis on building robust institutional, industrial and transport infrastructure in growth poles among countries/regions through quality infrastructure. Through expanding the manufacturing base and infrastructure as well as investing in human resource development, it seeks to address the challenge of unemployment and skill. The final component, called People to People Partnership, intends to use tourism and education as the core tools for achieving the goal of connecting people.

## **Economic Relevance**

The project lays maximum emphasis on the African continent. India has enjoyed very warm relations with Africa. India and Africa are strongly connected by the common struggles of anti-apartheid and anti-colonial movements. The present Africa is no more the land of misery and deficits but the land of opportunities. There is increasing urbanization, there is a fast growing young population, and the economy is slowly formalizing. Africa is also keen on diversifying its trade from focusing on the West and China to more Asian countries.<sup>2</sup> Inter-country barriers amongst African countries are fast dissolving, with the negotiations to create a Continental Free Trade Area, having begun. India's developmental work in Africa is based on a model of consultation with the stakeholders and which takes into account Africa's own aspirations for pan-African institutions and development programmes.<sup>3</sup> This is achieved to a large extent by the platform of the India-Africa Forum Summit which started in 2008. Indian companies also have a very sustainable and large presence in Africa.<sup>4</sup>

Moreover, India has a lot to offer in terms of technological competence, human resource development, and institutional capacity building. In addition to this, India being a developing country is quite capable of understanding the unique developmental demands of Africa. This understanding of Africa's unique needs is reflected in some of the sectors where the AAGC intends to focus its development and cooperation projects: agriculture and agro processing, health and pharmaceuticals, and disaster management. India also has a lot to gain in terms of its increasing demand for raw materials as Africa possesses abundant natural resources.

Japan has also been quite closely associated with the African continent through platforms such as the Tokyo International Conference on African Development (TICAD). TICAD provides a global platform for African and other international stakeholders to collaborate in promoting Africa's unique development needs. For a resource poor country like Japan, the African continent becomes an important destination of trade and investment. Japan has immense experience and expertise in providing developmental assistance to Asia and Africa. Along with this, Japan also has technological expertise and a penchant for innovation which could be utilized in Africa abundantly. The financial constraints India faces when it comes to investment in Africa can be fulfilled by Japan. Thus, one can see a smooth convergence of India and Japan in Africa.

## **Geopolitical Relevance**

However, the question to ask is whether there is a reason beyond the narrative of shared values and economic interests for Japan and India to come together for this project. To answer this question well, one must briefly look at the India-Japan relationship in the past two decades. India and Japan have been increasingly coming closer in strategic terms since 2000. The relationship has been especially closer since the beginning of the Abe administration in 2012. In 2014, India-Japan upgraded their bilateral partnership to a "Special Strategic and Global Partnership". Japan and India set a clear course for the future by releasing a joint statement in December 2015 called the "Japan and India Vision 2025: Special Strategic and Global Partnership Working Together for Peace and Prosperity of Indo-Pacific Region and the World." Japan is the only country that has been allowed by India to invest in strategically sensitive areas like India's North Eastern Region and the Andaman and Nicobar islands. In 2015, Japan became a permanent member of the annual Malabar exercises. Prior to this, this was a naval drill, only between the United States and India.

Through the AAGC, one can see this bonhomie between India and Japan translating also into an attempt to counter China's OBOR that goes beyond the mutual economic benefits accruing from it. The first indicator of this is the timing of the project. The Asia Africa Growth Corridor Vision Document was released on 25 May 2017. This was just a few days after the OBOR Summit in Beijing. Events of such magnitude cannot merely be coincidental in international relations. It has been argued—and quite rightly so—that the core reason for India to emerge as the logical option for Japan is due to increased US interest in India as a stabilizing factor in Asia.<sup>5</sup> But this is not to say that Japan does not have its own interests in stabilizing the regional order. Japan has a very heavy stake in the Indo-Pacific. It depends on maritime

transportation for 99.6 percent of its trade volume. A large proportion of this trade passes through the Gulf of Aden region. The AAGC, which is primarily a sea corridor, will provide the much needed maritime presence to Japan in the region. This should also reassure Japan in the face of increasing Chinese presence in the region. For India too, the reasons revolve along the same lines. India has every need to maintain its maritime supremacy in the region it traditionally dominated, especially in the face of fears of Chinese encirclement with the OBOR/Maritime Silk Road which has been construed by many as the reincarnation of the String of Pearls.

The AAGC also comes across as a counter to China's OBOR when one looks at the language used in the vision document, as well as at the key components of this initiative. It is not easy to counter China in terms of the scale of the financial investment. Thus, India and Japan are trying to sell their project using a language that seems to present it as an alternative to the Chinese way of doing things. India and Japan have capitalized on the oft repeated criticism of China. The common brickbats that Chinese projects face are along the lines of transparency, destruction of local industry, causing labour unrest, environmental concerns, and poor quality. The Vision Document of AAGC comes across as specifically targeting these perceived shortcomings of China.

China has been criticized internationally for its constant violation of Intellectual Property Rights, and for its less than perfect record on the quality of products.<sup>6</sup> Botswana has been struggling to sell a China constructed power plant after consistent technical problems in its operation since it was commissioned in 2012. Similarly, there have been ample media reports on the cracks appearing in a Chinese built hospital in Angola. Although the reality of the quality of Chinese infrastructure may be far from such media reports—with most Chinese infrastructure across the world having maintained a good standard of quality—but there is definitely in existence a poor perception of the quality of Chinese goods. This oft-repeated criticism of China finds a clear counter in the Asia Africa Growth Corridor Vision Document. India and Japan have definitely capitalized on this. One of the four prime components of the AAGC is providing Quality Infrastructure. There is repeated emphasis in the document on the importance this project places on delivering high quality. This must also be seen in tandem with Japan's reputation of being a torch bearer of quality and innovation. Japan's launch of the Partnership for Quality Innovation must be seen in this regard. Japanese Prime Minister Shinzo Abe made his challenge to China quite clear when, on the occasion of the 21st International Conference on the Future of Asia, he said, "we no longer want a cheap but shoddy approach".<sup>7</sup>

Transparency has been a prominent area of concern when it comes to Chinese investments abroad. There is need for more clarity on AIIB as a source of funding for OBOR. China is also not known for publishing detailed statistics and information about its investments and projects abroad. On the other hand, Japan is known for providing and publishing precise details of its Official Development Assistance Loans and grants to other countries.<sup>8</sup> Another component of the Asia Africa Growth Corridor which challenges concerns of transparency in the case of China is the use of the Geographical Simulation Model. The GSM Model will be used to measure the economic gains accruing from the project. This would help identify the socio-economic impact of the project on the region and the people in a more clear-cut manner.<sup>9</sup>

China also faces criticism for labour issues and the social impact of its investments. A study has pointed out that China has tended to use Chinese labour rather than local labour in its projects in Ethiopia, Sudan, and Namibia. This model has led to unemployment and labour unrest.<sup>10</sup> The same study also states how the inability to compete with Chinese products has led to the closure of local factories—a good example is the textile industry in Namibia. In Zambia, protesting employees were shot down by Chinese supervisors. According to D. Zweig and B. Jianhai, “Beijing’s resource-based diplomacy has no room for morality”.<sup>11</sup> Beijing is also criticized for its “close shop” approach in which there is no transfer of skills and technology to the locals.<sup>12</sup> It is in this context that the Asia Africa Growth Corridor emphasizes on people centric development and people to people partnership. According to the vision document, this would contribute to the local society, and would remain in harmony with the local community and the livelihood of the people. Another core component of the AAGC is what it calls “Enhancing Capacities and Skills”. Under this, the initiative aims to encourage and enhance human resource development, education, and skills development.

With respect to environmental pollution, China has begun to introduce environment protection legislation domestically; but this has not translated to Chinese investments in other countries. In its 2015 report, the China-ASEAN Environment Cooperation Centre states that China lacks clear environmental guidelines and rules for its overseas firms. Heavy environment pollution is the price of expedited development that poor countries have to pay for Chinese investment. Once again, the focus of the AAGC on environment is noteworthy, and can be seen in this context. The AAGC is described in the vision document as “a Partnership for Sustainable and Innovative Development”. It also emphasizes on using high standards of quality control for infrastructure development so as to mitigate any adverse environmental impact. The mention of exploring a partnership with the International Solar Alliance can also be seen in this light.

## Conclusion

The Asia Africa Growth Corridor is definitely a project that will go a long way in integrating Africa with Asia better. This initiative also picks up on the shortcomings of the China-led connectivity project, and tries to provide a better alternative for it. Moreover, in doing so, it also tries to counter China in a very subtle manner. China has tried to resolve a lot of the criticism levelled against it through several initiatives. However, “second round” players like India and Japan have the benefit of hindsight—the benefit of learning from China’s mistakes. It is also important to briefly introspect whether India and Japan have the experience of taking something like this to its logical conclusion. Unlike China, both India and Japan have very little experience in actually building infrastructure in other countries. Japan’s experience is mostly limited to Official Development Assistance. But for now, it is definitely an initiative in the right direction that gives the region an alternative that appears more benign.

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## Notes and References

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<sup>1</sup> The Sustainable Development Goals are a set of goals adopted by countries under the umbrella of United Nations in September 2015. They intend to end poverty, protect the planet and ensure prosperity for all.

<sup>2</sup> “Six Reasons to Invest in Africa” *World Economic Forum*  
<https://www.weforum.org/agenda/2016/05/6-reasons-to-invest-in-africa/>

<sup>3</sup> Ganapathi M. (2014) “India-Africa Partnership” in Ruchira Beri ed. *India and Africa: Enhancing Mutual Relationship*, Delhi : Pentagon Press

<sup>4</sup> Asia –Africa Growth Corridor: Partnership for Sustainable and Innovative Development, A Vision Document, 2017

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<sup>5</sup> Titli Basu , “India –Japan Relations: An Enduring Partnership”, *Indian Foreign Affairs Journal*, Vol 0, July-September 2014, 266-79

<sup>6</sup> World Trade Organization Judgement in 2009 in the US vs China trade Dispute Case

<sup>7</sup> “Future of Asia: Be Innovative” Speech by PM Shinzo Abe at the Banquet of the International Conference on the Future of Asia

[http://japan.kantei.go.jp/97\\_abe/statement/201505/0521foaspeech.html](http://japan.kantei.go.jp/97_abe/statement/201505/0521foaspeech.html)

<sup>8</sup> Ministry of Foreign Affairs, Japan (online source)

<http://www.mofa.go.jp/policy/oda/category/index.html>

<sup>9</sup> The IDE Geographical Simulation Model (IDE-GSM) has been developed with two major objectives: (1) to determine the dynamics of locations of populations and industries in a region in the long-term, and (2) to analyze the impact of specific infrastructure projects on the regional economy at sub-national levels.

<sup>10</sup> Adisu, Sharki and Okoroafu (2010) “The Impact of Chinese Investments in Africa”, *International Journal of Business and Management*, V (9)

<sup>11</sup> Zweig, D., & Jianhai, B. (2005). China’s Global Hunt for Energy. *Foreign Affairs*, 84(5), 25-38.

<sup>12</sup> Baah Anthony and Jauch Herbert ed. (2009) “Chinese Investments in Africa: A Labour Perspective”,

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