

Proposal by the Public-Private Council for the Promotion of TICAD V

A New Horizon for Japan's Trailblazing Economy with
Dynamic Africa

(Provisional Translations)

May 16, 2013
Public-Private Council for the Promotion of TICAD V

0. Preface

Japan will be hosting the Fifth Tokyo International Conference on African Development (TICAD V) in Yokohama from June 1 to 3.

TICAD is a summit-level conference to which all African leaders in principle, are invited to Japan to discuss how to promote African development. A special feature of this forum is that it opens its doors widely to parties other than the Japanese and African governments. Japanese companies have been playing an important role in African development by doing business with Africa, and they have also been involved in the past TICAD conferences as key participants.

A major focus of discussion envisioned for TICAD V is the remarkable economic growth that Africa has seen in recent years, driven in particular by the private-sector. The Public-Private Council for the Promotion of TICAD V (hereinafter, “the Council”) was established to enable Japan’s public and private sectors to cooperate in putting Japan’s strengths to best advantage so that Africa’s growth can help spur growth in Japan as well.

Based on the Council’s discussions over its previous four meetings, this proposal illustrates efforts that Japan should pursue subsequent to TICAD V to promote business with Africa.

Serving as the Council’s joint chairmen were the Minister for Foreign Affairs on behalf of the government, and Masahiro Sakane, Vice Chairman of Keidanren, from the private sector. The acting joint chairmen from the government side were the Parliamentary Senior Vice-Minister for Foreign Affairs and the Parliamentary Vice-Minister for Foreign Affairs, with the private sector represented by Yutaka Kase, Chairman of Keidanren’s Committee on Sub-Saharan Africa. Representatives from a total of 20 private-sector companies participated, while government officials from the Ministry of Finance, the Ministry of Economy, Trade and Industry, JICA, JETRO, JOGMEC, JBIC and NEXI also took part.

1. Views of Africa in Japan's public and private sectors

Against the background of abundant natural resources, Africa has achieved economic growth approaching 6% in current years amid surging primary commodity prices. Its population of one billion is expected to grow further over the medium to long term. Coupled with the continent's economic growth, this gives Africa great potential as an expanding market of over one billion people.

Given Africa's economic growth and the progress it has made in creating an enabling environment for business, Japanese companies recognize Africa not just as a current supplier of natural resources but also as a new growing market with potential in various sectors, including agricultural development, telecommunications, medical care, general consumption goods, and environmental technology. According to a survey by JETRO, 67.3% of Japanese companies operating in Africa replied that business with Africa would "increase in importance" in future, and 58.7% of companies were considering or planning to expand their businesses there.

The business of Japanese companies in Africa have resulted in technology transfers to host countries and created jobs locally, winning the high regard of the African side. Those Africans who have had dealings with Japanese companies have reportedly been very impressed with the high level of technical skill and the work ethic of these companies. Japanese business with Africa is contributing to forming the bases for self-sustained growth in Africa.

The importance of Africa has been increasing in recent years in light of Japan's foreign economic relations. Africa has also expressed its keen interest in strengthening economic ties with Japan. Japan should recognize Africa as an important trade and investment partner and not just as an aid recipient. Africa's vitality should be transformed into revival of the Japanese economy.

Japanese private enterprises face challenging business conditions in Africa, including ensuring the safety of their employees and obtaining authorization for their investments as well as enduring the long waits required to post personnel and clear shipments through customs. The security issues are particularly critical. The deaths of 10 Japanese nationals in the January terrorist attack in Algeria dealt a huge shock to those who are involved in business in Africa.

Despite the challenges of doing business there, though, Africa remains significant for Japanese companies. In the context of a globalizing world economy, companies of emerging and other

countries have stepped up their activities in Africa. Under such circumstances Japan should recognize Africa's potential and continue its efforts to actualize its potential. Japan's public and private sectors will hereby demonstrate their unwavering determination to medium- to long-term relations with Africa.

At the same time, the Japanese government needs to undertake practical approaches in support of the business endeavors of Japanese companies in Africa. A key precondition for Japanese companies to put their strengths to best use in Africa will be an environment enabling them to engage in business in Africa safely. In addition, concerted public-private efforts are needed in various aspects of business, including improvements of the business environment utilizing ODA, risk-taking via public financing, and sales visits to Africa targeting high-ranking officials and top executives.

2. Areas to be focused by TICAD V

(1) Improving the business environment by Africa itself

In order for Japanese companies to resolve issues confronting them in Africa and to promote investment in Africa, Africa's own efforts are needed.

A useful approach to encourage efforts by Africans themselves would be for the Japanese government to ascertain what problems Japanese companies perceive in doing business with Africa and then use TICAD V and other opportunities for meetings with key African figures to request that Africans themselves strive to improve the business environment. The Council's message to be conveyed to African governments for promoting business with Africa is as follows.

[Message from Japan for promoting business with Africa]

- Japanese private companies are greatly interested in expanding their businesses in Africa. This interest is also directed at improving the lives of African people and at providing local production, sales, and servicing of products such as daily necessities and machinery.
- Business expansion by Japanese companies leads to technology transfers and local job creation. The Japanese government will mobilize its resources to support Japanese companies doing business in Africa.
- At the same time, we would like to see African countries undertaking particular efforts in the following sectors. To this end, we expect that African governments will exert leadership recognizing that Japanese business expansion in Africa will contribute to Africa's medium- and long-term growth.

Approach 1: Create a safer business environment

[Japanese companies' view of current circumstances]

- Conflicts and deteriorating security exposes business activities to danger and makes business expansion difficult. The expenditures required to implement security measures also drive up costs for companies. Creating a safer business environment is of the utmost priority for business expansion.

[Requests for Africa]

- Continue full-fledged efforts in cooperation with the international community to prevent conflicts, improve security, implement counter-terrorism/kidnapping measures and take anti-piracy measures.
- Cooperate in ensuring safety by effectively and efficiently

providing safety information to companies operating locally and by protecting companies with security forces.

Approach 2: Create a freer and more stable business environment

[Japanese companies' view of current circumstances]

- Imposing excessive regulations on companies restricts corporate activities and diminishes the willingness of companies to do business in Africa. Giving private companies a freer hand in conducting business will contribute to the medium- and long-term growth of Africa even more than the benefits gained through regulation.

(Examples) Limits on foreign capital ratios, local content requirements, local hiring requirements, mandatory joint ventures with state-run or local companies, restrictions on royalty remittances, etc.

- A developed legal system is a prerequisite for business. Reliable protection of investment assets and intellectual property rights will lead to greater business expansion. Intellectual property rights are the wellspring of companies' competitiveness, and Japanese companies are adamant on such protection.

[Requests for Africa]

- Repeal and ease regulations on corporate activities to the extent possible.
- Improve administrative capacity (including capacity development of civil servants) in cooperation with the international community so that regulations can be implemented appropriately and efficiently.
- Promote the conclusion of investment agreements and other bilateral agreements for the promotion of investment.
- Improve legal systems on expropriation, bidding systems, intellectual property rights, etc., and develop human resources in these areas.

Approach 3: Facilitate flows of people and goods

[Japanese companies' view of current circumstances]

- High tariffs and complex non-tariff measures constitute barriers to Africa's intra-regional and inter-regional trade, and make it difficult for companies to build distribution networks.

(Examples) High average tariff rates, inconsistent application of common intra-regional tariffs, unfair tariff collection, delays in customs clearance procedures, frequent changes in procedures and ambiguous implementation of the same

- Smooth entry/exit procedures for business personnel to be posted or temporarily dispatched locally are essential for corporate activities.

[Requests for Africa]

- Collaborate with regional economic communities (RECs) and neighboring countries to lower tariffs and simplify customs clearance procedures and thereby invigorate intra-/inter-regional trade.
- Endeavor to establish speedy, consistent and simple procedures (set standard processing periods, etc.) for issuing the work visas essential for corporate activities.

(2) Assistance for Africa to improve its business environment

To support efforts to improve the business environment in Africa, the Japanese government should utilize the opportunity afforded by TICAD V to present support measures designed to contribute to the improvement of the business environment in Africa.

(a) Improving policies/systems

- Relevant legislation must first be passed and enforced in a predictable fashion if Japanese companies are to expand their businesses in Africa quickly and efficiently.
- To that end, the Japanese government should assist efforts to improve economic and other legislation and to enhance the capabilities of those public institutions responsible for implementing legislation.

(b) Developing infrastructure

- Lack of infrastructure is a serious issue confronting companies seeking to expand into Africa. Priority should thus be given to developing infrastructure, an area in which the strengths of Japanese companies can be leveraged to contribute to Africa's development. This would be made all the more effective if Japan were to demonstrate leadership in developing infrastructure to be actively involved from the master plan preparation stage.
- In particular, development of electric power (energy) infrastructure that serves as the base for industry, transport infrastructure that links production markets with consumption markets, and communications infrastructure that is needed as a lifeline should be promoted with urgency. Corridors connecting international ports with inland locations should be established, and electric power supply and agriculture/resources developed in surrounding areas; assistance for comprehensive corridor development is an effective approach that will create new markets and establish links between production areas and consumption areas and between countries. As part of this

assistance, support should be provided to simplify customs clearance procedures and other cross-border processes to make them more efficient, and to develop logistics infrastructure. Emphasis should be placed on such infrastructure development as well as on special economic zones that offer a package of investment incentives.

(c) Developing human resources

- One issue confronting companies in Africa is the scarcity of human resources possessing sufficient skills for employment. Africa's public sector is no exception in this shortage of human resources, and this is having an impact on the quality of administration in all areas.
- Support should be provided to enhance "education with an exit" –vocational education, higher education, etc. – that directly prepares human resources for employment. The uses of IT in such education should be considered. Qualitative improvements in administration should also be pursued by providing assistance for skills development among administrative officials so that administrative procedures can be carried out transparently and consistently and better statistical data can be made available. Technical cooperation by JICA (training in Japan, JOCV dispatches, etc.) is playing an important role in human resources development, and JICA activities should therefore be expanded.

(d) Building the bases for sustainable growth

- Sustainable growth achieved by Africans themselves is a precondition for companies to build medium- and long-term relationships with Africa. If Africa maintains steady growth and increases incomes among the poor, a new middle class will create new markets that will in turn stimulate greater business activity.
- Assistance should first be provided to improve security in Africa. Safety is one of the most important considerations when deciding on investments. Conflicts in Africa should be nipped in the bud, steps taken to firmly establish peace, and underlying threats to safety removed. Japan and Africa as well as the international community should coordinate in addressing issues transcending national borders such as piracy and terrorism that have arisen in recent years and that are beyond the power of any single country to resolve.
- Priority should be assigned to assistance for promoting agriculture, Africa's staple industry. Support that expands agricultural production, improves productivity, and enhances value chains will contribute to greater food security in Africa.

Improvements to efficiency that reduce the prices of agricultural produce and hold down rises in labor costs over the medium to long term will also stimulate expanded corporate activities.

- Support should be provided to improve health services, medical care, water supply, and other basic human needs (BHN). Once the livelihoods of people on the African continent have been put on a firmer foundation, social stability will improve and further economic growth will become more likely.
- Women and youth will be key actors in Africa's growth. The public and private sectors should come together to aid efforts to upgrade the skills of women and youth, expanding their opportunities for employment and thereby injecting new vitality into Africa's growth.
- The vulnerability of Africa to environmental problems and climate change is hampering stable growth. Support should be provided that enable Africans to better adapt to droughts, floods and other impacts of climate change. Japanese companies possess technologies that save energy and improve the efficiency of thermal power plants that could be of tremendous help in improving adaptability in Africa.

(3) Assistance for corporations to promote business with Africa

Japanese business in Africa has been welcomed by Africans for creating local jobs and transferring technologies. Japanese companies recognize that the high regard in which they are held engenders trust in Japan and draws Japan and Africa closer. Accordingly, we advocate expanding high value-added business to Africa.

TICAD V represents the best opportunity to promote Japanese business with Africa. Seizing this opportunity, the relevant ministries, agencies and government institutions should collaborate as an “all-Japan team” in putting forth specific measures to promote business with Africa.

(a) Ensuring safety

- One of the greatest concerns of companies expanding into Africa is ensuring the safety of their local operations. Companies require appropriate information on local conditions and must carry out security measures utilizing IT in taking the proper precautions.
- Diplomatic missions abroad gain access to information through their day-to-day diplomatic activities that is important for companies to ensure safety. They also play an important role in safeguarding Japanese nationals abroad.
- Companies and diplomatic missions abroad should collaborate even more closely in thorough information sharing. In this vein, embassy operations should be restructured to improve their capabilities to gather information and protect Japanese nationals.
- Efforts should be made to augment the seminars on overseas investment, expansion destinations, etc., offered by JETRO and other organizations, and to provide/disseminate information on corporate safety and crisis management measures for companies operating overseas.

(b) Expanding business opportunities

- Companies give due consideration to feasibility and profitability when making decisions on expanding their businesses. This requires confirmation of a number of points, not the least being the commitment of the host government to the companies' projects. However, there are limits to the ability of individual companies to collect investment-related information in Africa and to construct networks with host governments.
- For that reason, the Japanese government and government-affiliated institutions should obtain information related to business in Africa, taking into account the interests of

companies, and better provide the same to companies in order to promote business with Africa. Diplomatic missions abroad as well as government and government-affiliated institutions in Africa should be restructured to provide more active support than ever to Japanese companies. Missions to Africa as well as investment seminars conducted by the government and government-affiliated institutions with the cooperation of African governments not only enable the collection of investment-related information but also help build networks in host countries, and therefore should be expanded. The consultation functions offered by diplomatic missions abroad and government-affiliated institutions should be enhanced to facilitate the activities of Japanese companies after expansion.

- Legal protection of investment assets will improve the soundness of investments and make it easier to decide on new investments. The Japanese government should therefore seek to conclude bilateral investment agreements, with priority given to countries where the needs of Japanese companies are high. To prevent double taxation, bilateral taxation agreements will also need to be signed.

(c) Financial support

Business in Africa still operates in an environment with low transparency and high country risk, limiting the capital that can be procured solely from market-based financial institutions and creating risk that cannot be completely covered by private-sector insurance. For Japanese companies facing fierce competition with companies from emerging and other countries, maintaining and boosting competitiveness is another key issue. As policy finance plays such an important role in supplementing private-sector funding in Africa, active use should be made of JBIC, NEXI, JICA (private-sector investment finance), and JOGMEC (resource development) to provide financing for business in Africa, as well as to augment the insurance system to provide coverage for terrorist attacks. The emphasis should be on infrastructure, which offers a growing number of business opportunities in Africa, and in areas such as renewable energies where Japan's strengths can come into play.

(d) Appealing to partner countries

- Authority in Africa tends very much to be concentrated in the upper levels of government, and it would thus be effective to appeal directly to high-ranking government officials to address the needs of companies.
- Appeals should be made to the upper levels of government in

African countries, above all, to national leaders, so that companies' requests might be reflected in the policies of these African governments. Japanese embassies in Africa in particular should pro-actively engage in top-level sales efforts. These approaches should aim to foster long-term relations of trust between Japan and Africa.

- Policy dialogue with the public and private sectors acting in concert should be pursued more vigorously, especially in those countries in which companies have great needs, as opportunities to convey companies' wishes directly to host governments and to encourage these governments to improve the business environment in their countries.
- Personal exchange between Japan and Africa should be encouraged, with a focus on boosting the number of Africans visiting Japan, in order to deepen African countries' awareness of the importance of Japan's advanced technology and, by extension, that of Japanese companies. From this perspective, consideration should be given to expanding JICA-run training in Japan, private-sector training via HIDA, exchange projects, seminars and exhibitions to introduce Japanese technology/products, and invitations to leading African figures.

3. Approaches to be put forward by TICAD V

All African countries are in principle invited to TICAD V, making it a wonderful opportunity to strengthen relations with all African countries. African countries differ in their stages of development, and they thus have varying development needs. The assistance program to be presented at TICAD V should as far as possible reflect the circumstances of each individual country.

At the same time, Japan's approaches should put particular emphasis on promotion of business ventures by Japanese companies in Africa.

In those countries/regions in which Japanese companies have already set up operations or in which they have a strong desire to expand their businesses, emphasis should be placed on arranging practical commercial talks and offering support to facilitate Japanese business; priority should be assigned to measures in those areas where company needs are particularly high, including infrastructure improvement, employment-oriented human resources development and financial assistance for companies. ODA such as yen loans, overseas investment/loans as well as other public financing should be actively utilized for this purpose.

In those countries/regions in which Japanese companies are exploring the possibility of expanding their businesses over the medium to long term, priority should be given to uncovering new business opportunities and missions dispatched, investment seminars conducted and investment information provided.

Appendices

- (1) Public-Private Council for the Promotion of TICAD V:
Private-sector Member List
- (2) Public-Private Council for the Promotion of TICAD V:
- (3) Previous Discussion Topics

[Appendix 1]

**Public-Private Council for the Promotion of TICAD V:
Private-sector Member List**

[Joint Chairman]

Komatsu Ltd.	Director and Councilor	Masahiro Sakane
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[Acting Joint Chairman]

Sojitz Corporation	Chairman	Yutaka Kase
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[Members]

Ajinomoto Co., Inc.	Chairman	Norio Yamaguchi
Itochu Corporation	Chairman	Eizo Kobayashi
JX Holdings, Inc.	Chairman	Yasushi Kimura
Nippon Steel & Sumitomo Metal Corporation	Chairman	Shoji Muneoka
Sumitomo Chemical Co., Ltd.	Director	Kenjiro Fukubayashi
Sumitomo Corporation	President	Kuniharu Nakamura
Toshiba Corporation	Chairman	Atsutoshi Nishida
Toyota Motor Corporation	Senior Advisor	Katsuaki Watanabe
Toyota Tsusho Corporation	Chairman	Junzo Shimizu
JGC Corporation	Chairman	Keisuke Takeuchi
Nippon Koei Co., Ltd.	Director and Managing Executive Officer	Akira Mizukoshi
NEC Corporation	Chairman	Kaoru Yano
NYK Line	Chairman	Koji Miyahara
Panasonic Corporation	Chairman	Fumio Otsubo
Hitachi, Ltd.	Chairman	Takashi Kawamura
Marubeni Corporation	Senior Corporate Advisor	Nobuo Katsumata
Mitsui & Co., Ltd.	President	Masami Iijima
Mitsubishi Corporation	Chairman	Yorihiko Kojima
Mitsubishi Heavy Industries, Ltd.	Chairman	Hideaki Omiya
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	Senior Advisor	Nobuo Kuroyanagi

**Public-Private Council for the Promotion of TICAD V:
Previous Discussion Topics**

1st Meeting (August 2, 2012)

- (1) Status of preparations for TICAD V
- (2) Current state of business with Africa and roles for the Japanese government

2nd Meeting (November 30, 2012)

- (1) Status of preparations for TICAD V
- (2) Specific measures for public-private collaboration (“promoting high value-added investment” and “improving Africa’s investment environment: developing local human resources”)

3rd Meeting (January 30, 2013)

- (1) Government approaches in light of the kidnapping of Japanese nationals in Algeria
- (2) Specific measures for public-private collaboration (“improving infrastructure through public-private partnerships”)
- (3) Outline of Public-Private Council recommendations

4th Meeting (late March – early April 2013)

- (1) Public-Private Council recommendations