

African Integration from the Japanese Perspective

July 7th, 2021

Masafumi Sugano

**Ministry of Economy, Trade and Industry (METI)
/ Japan External Trade Organization (JETRO)**

1. Corporate Japan goes African

- Japanese companies in Africa are no longer obviously Japanese.

African executives



(From left to right)
Prejay Lalla, CEO, Kansai Plascon
Johann van Zyl, Executive Vice President (Europe & Africa), Toyota
Gbenga Oyeboode, Chairman, Yamaha CFAO Motors Nigeria

Partnership

Example: Roofing Rolling Mills in Uganda
(10% ownership and technical alliance with Yodoko)



Ownership

(whole)



COLOUR YOUR WORLD



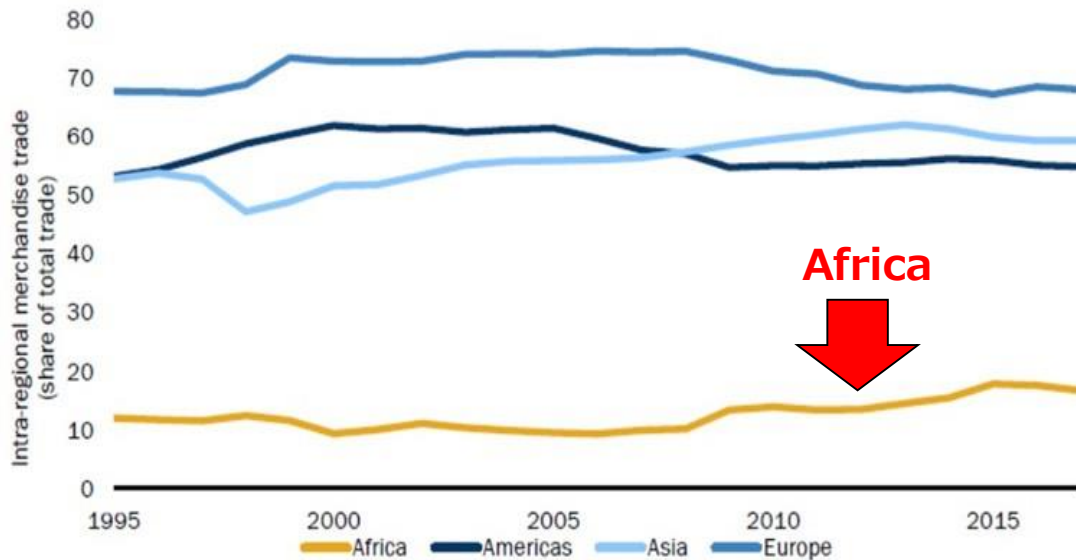
(partial)



2. Limits to intra-African trade

- Trade within Africa is weak – and this hurts Japanese companies, too.

Proportion of intra-regional trade



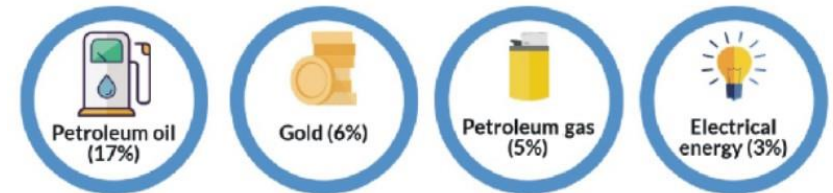
(Source) UNCTAD, Merchandise: Inter-trade and extra-trade of country groups by product, 2017

The little intra-African trade that exist is non-industrial products

Main intra-Africa export products



Main intra-Africa non-agricultural export products (2017)



(Source) tralac AfCFTA Guide fourth edition, February 2019, calculated from ITC Trademap 2019

3. High intra-African tariff rates (outside of RECs)

- High MFN tariff rates – most industrial products taxed at 20%-plus.

	Cement, salt, earths & stones etc	Mineral fuels & oils	Inorganic chemicals, rare earths etc	Fertilizers	Plastics	Precious stones & metals	Iron & steel	Nuclear reactors etc	Electricals	Vehicles other than railway
	HS25	HS27	HS28	HS31	HS39	HS71	HS72	HS84	HS85	HS87
Angola	50	20	20	2	50	50	30	50	50	50
Botswana	10	20	20	0	20	20	10	30	25	30
Cabo Verde	10	20	0	0	30	40	0	30	30	50
Cameroon	20	20	20	5	30	30	30	30	30	30
CAR	20	10	20	10	30	30	30	30	30	30
Chad	20	20	20	5	30	30	30	30	30	30
DRC	20	10	5	5	20	20	20	20	20	20
Djibouti	26	26	26	2	26	26	26	26	26	26
eSwatini	10	20	20	0	20	20	10	30	25	30
Gabon	20	20	20	5	30	30	30	30	30	30
The Gambia	20	10	20	5	20	20	20	20	20	20
Ghana	20	10	10	0	20	20	20	20	20	20
Guinea	20	20	10	0	20	20	20	20	20	20
Guinea-Bissau	20	10	20	5	20	20	20	20	20	20
Lesotho	10	20	20	0	20	20	10	30	25	30
Liberia	25	15	25	2.5	15	25	5	25	25	50
Madagascar	10	20	5	0	20	20	15	20	20	20
Mauritania	20	20	13	5	20	20	20	20	20	20
Mozambique	20	7.5	2.5	2.5	20	20	7.5	20	20	20
Namibia	10	20	20	0	20	20	10	30	25	30
Nigeria	20	10	20	5	20	20	20	20	20	35
Rwanda	25	25	25	0	25	25	25	25	35	25
Sierra Leone	30	20	5	5	20	20	10	20	20	30
Tunisia	20	20	20	0	20	20	20	20	20	20
Zambia	25	25	0	0	25	25	30	25	25	25
Zimbabwe	20	45	10	25	40	40	25	60	60	60

	Petroleum oil	Copper ores & concentrates	Goods vehicles	Portland cement	Refined sugar	Maize	Articles of iron or steel	Beer	Trousers
EAC CET	0	0	0; 10; 20; 25*	25	20; 100*	50	0; 10; 25*	25	25
ECOWAS CET	0	5	0	20	20	5	5; 10; 20*	20	20
SACU CET	0	0	0; 10*	0	213.1c/kg	0	20; 5; 10; 15; 20; 30*	5	40; 45*

(Custom Unions)

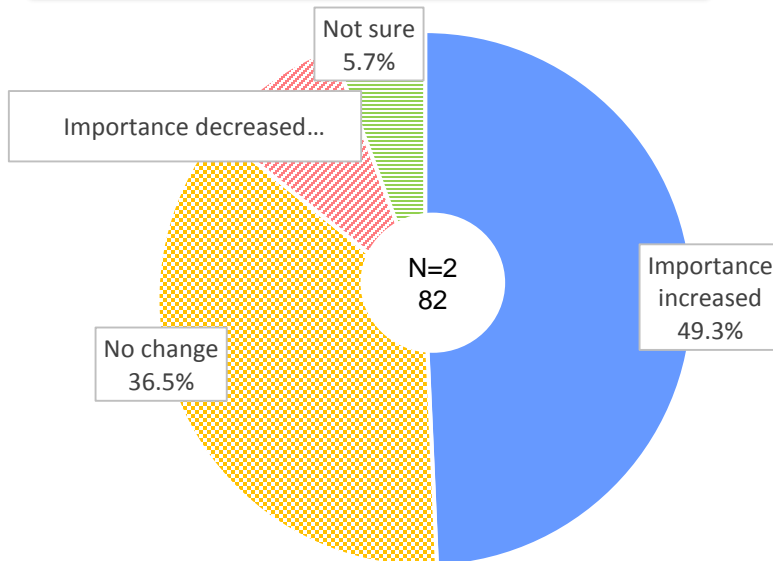
EAC: East African Community
ECOWAS: Economic Community of West African States
SACU: Southern Africa Customs Union

4. Africa's position in Japanese business strategy

(From the Survey of Business Conditions of Japanese-Affiliated Companies in Africa, JETRO, December 2020)

- About 50% of companies responded that the "importance of Africa increased" compared to five years ago.
- About 60% responded that the "importance of Africa will increase" over the next five years. Many companies cited "market expansion with the growth of population" and "expectations for the African Continental Free Trade Area (AfCFTA)" as reasons for this.

Positioning compared to five years ago



"Importance increased"

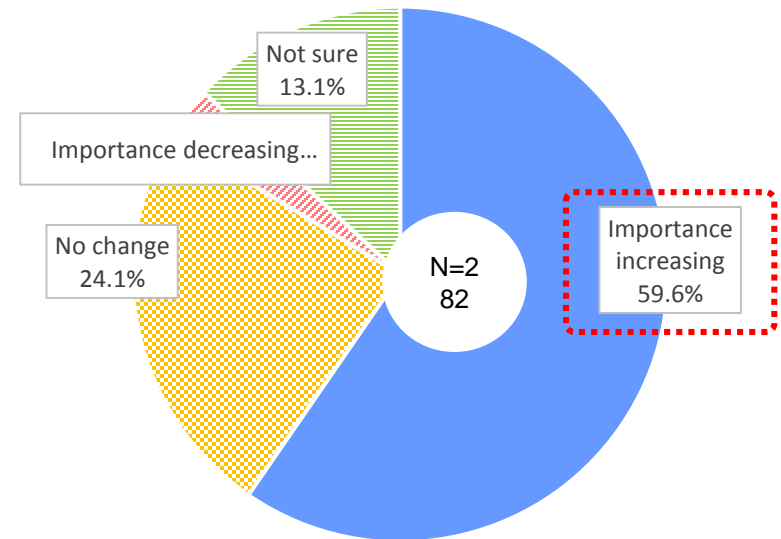
- Growth market, population growth, rising labor costs in Asia
- Strong demand for resource development and infrastructure development
- Increased attention within the company through growing number of expatriates

- Stable employment situation due to political stabilization

"Importance decreased"

- Market growth is slower than expected, sales scale did not grow, etc.

Positioning over next five years



"Importance increasing"

- Expect an increase in demand with population growth and AfCFTA
- Leapfrog innovation will continue to happen.
- Manufacturing transfer from European bases will increase

"Not sure"

- Unable to forecast the future due to COVID-19
- Economic and political stability of African countries is unclear, etc.

5. What's in it for Africa?

- Japan can be a steady, long-term partner for Africa's industrial and commercial development.
- Skin in the game: equity rather than debt (although we do engage in highly concessional lending through JICA).
- Competitive, cutting-edge capital equipment for use by African industries (as an alternative to the Europeans).
- Marketing know-how in markets outside of Africa.
- Reliance on local executives, managers and workers (therefore taking HR development seriously).

6. Japan's strategic objectives in Africa

- Three overlapping objectives – partner, earn and contribute.

Partner

Earn

