Sub-Saharan Africa is the Hot Investment Region Now! — Now is the time for Trade and Investment in Africa —

Sub-Saharan Africa, which had been afflicted with ethnic conflicts and poverty, has achieved rapid growth due to the rising resource prices, becoming the second-fastest growing region after Asia, and attracting accelerated flows of investment from around the world. Africa is now in the process of dramatically changing its image to a target region of global investment.

Sub-Saharan Africa refers to the area of the continent of Africa that lies south of the Sahara Desert.

Japan’s Relationship with Africa

Japan’s relationship with Africa tends to be discussed in relation to ODA (Official Development Assistance) such as development assistance and other forms of aid. However, in the 1960s, when many African countries achieved independence, a large number of Japanese companies were doing business in Africa. Africa was a business partner for Japan, as Japanese trading companies and manufacturers sold textile products and miscellaneous goods as well as automobiles in the region. However, whereas Japan later entered a period of high economic growth, Africa became afflicted with ethnic conflicts, civil wars and poverty. From the 1980s onwards, the share of Japanese ODA distributed to Africa increased steeply, and Japanese investment was mainly limited to development aid. Around that time, most Japanese companies withdrew from Africa except in a limited range of business sectors. In the 2000s, as ethnic conflicts in Africa subsided, the region started to draw attention from around the world in the field of resources and infrastructure development. As a result, the African economy has achieved rapid growth. In 2013, the African economy is forecast to grow 5.7% (IMF statistics). The middle class is expected to expand significantly. Now is the time for Japan and Africa to become business partners again.

Business Opportunities in Africa

Southern Africa is rich in critical materials, including platinum and chrome. In recent years, natural gas fields discovered in the seas off the East African coast have been drawing increasing attention. In addition, there has been strong demand for infrastructure development, including railways and power plant construction. In addition to resources and infrastructure, there has recently been a conspicuous increase in the number of Japanese companies advancing into new sectors, such as B-to-B business, including sales of control equipment, and consumer product business, including sales of stationery and household-use paints, as well as BOP (Base of the Economic Pyramid) business. Unfortunately, however, the total amount of Japanese investment in and trade with Africa is lagging behind other countries’ investment and trade with the region. Recognizing rapidly...

Amount of global direct investment in Sub-Saharan Africa

(Billion dollars)

Changes in real GDP growth rate

World Total
Sub-Saharan Africa

2010 2014

2000


Annual average growth rate of Sub-Saharan Africa

Annual average growth rate of World Total


2.3%
5.8%

BOP business

BOP business refers to sustainable businesses targeting the BOP (Base of the Economic Pyramid) class populations in developing countries.
growing Africa as a business partner and promoting investment and trade with the region will be a key to Japan’s economic growth.

**African Leaders Gathered in Yokohama**

On June 1-3, 2013, the Fifth Tokyo International Conference on African Development (TICAD V) was held in Yokohama. TICAD, which was launched in 1993, is an international conference that has been held every five years under Japan’s initiative in order to discuss the development of Africa.

The latest TICAD was attended by more than 4,500 participants, including 39 heads of state and government leaders from 51 African nations as well as representatives from donor countries, international organizations and private-sector organizations. The main focus of discussion shifted from development assistance, which was the theme of the previous conferences, to promotion of private-sector trade and investment. In the latest TICAD, which featured the basic theme “Hand in Hand with a More Dynamic Africa,” the Government of Japan announced a public-private joint assistance package, worth a maximum of 3.2 trillion yen, intended to support African growth.

**METI Initiatives**

The Ministry of Economy, Trade and Industry (METI) has announced measures to enable Japan and Africa to achieve development together as trustworthy business partners.

First, the Japan-Africa Ministerial Meeting for Resources Development, the first international conference in the field of resources in Japan, was held in May this year as a pre-event to TICAD V. In the meeting, discussions were held on how to promote resource development in Africa with a view to building a win-win relationship. Japan presented its proposals, including financing assistance worth approximately 200 billion yen by Japan Oil, Gas and Metals National Corporation (JOGMEC) and the training of 1,000 personnel in the field of resource development.

At the TICADV conference, it was decided that the number of Japan External Trade Organization (JETRO) offices in Africa will be doubled from the current five over the next five years in order to promote Japanese companies’ advance into Africa and that Nippon Export and Investment Insurance (NEXI) will relax its terms for coverage for transactions involving trade with 19 African countries.

To promote private-sector trade and investment, the Japan Sustainable Mining, Investment and Technology Business Forum 2013 (J-SUMIT) and the African Fair 2013 were held, providing business matching opportunities.

Based on these measures, METI will promote Japanese companies’ advance into Africa, aiming to triple the total amount of Japanese exports to Africa and sales by African subsidiaries of Japanese companies in the region by 2020 compared with 2011.