Asian presence in Africa

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Two types of developing economies
Shares in the world production

Non-East Asian developing economies
East Asian developing economies
China
Africa

Source: UN, Taiwan National Statistics
Transformation of global trade
(trillion dollars)

[1995]

Developed economies: 2.6
Developing economies: 0.8

[2015]

Developed economies: 5.8
Developing economies: 4.2
Africa’s export shift from Europe to US, and to China

Source: World Trade Atlas

($ billion)
Africa’s import
sole winner China

Source: World Trade Atlas
China in Africa (1)

• Initiated new policy lines in mid 1990s
• Purposes: resources procurement → infrastructure building → manufacturing transfer
• Unprecedented diplomatic efforts
• Much similarities to Japan’s economic cooperation policy of 1960s -1970s
• Assessment by Africans in BBC Poll (2014)

  UK > China > SA > Germany > Japan > France > India > US
  (219)  (217)  (206)  (193)  (176)  (175)  (170)  (153)
China in Africa (2)

• China became a dominant trade partner for Africa, not only in natural resources import but also in various products export
• Leading infrastructure builder
• Overwhelming price-competitiveness
China in Africa (3)

• Sinocentrism: China don’t welcome ‘ancient regime’
• Confidence on Chinese developmental model
• Traditional donors including Japan & Europe must adopt themselves to the China-dominant situation in Africa
• Is China-centered order desirable for Japan & Europe?
• Can China maintain its wishful international order?
Demographic bonus and onus
Shares of working age population

Source: Statistics Japan, KOSIS, National Bureau of Statistics of China, UN
East Asian miracle

• “Flying Geese” type development; much different from Europe
• Therefore, one-sided investment from Japan despite of strong trade ties
• economic interests are shared among the region, especially in the private sector
• On the other hand, divided by tough nationalism especially in Far East region
Myth of Asian miracle?

- In spite of Paul Krugman (*Foreign Affairs*, 1994) argument, comparative advantage in labor brought about full-employment and income equality.
- But, demographic effects should be tremendous.
- East Asian miracle will be followed by ebb tide, which hurt Japan’s economy.
- China, and South Korea too, might lose growth potential.
- And many China’s loan might turn into bad debts.
## Low productivity brings high price

### Food price indices of Africa

#### Price index of cereals

<table>
<thead>
<tr>
<th></th>
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<th></th>
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</thead>
<tbody>
<tr>
<td>Africa</td>
<td>0.58</td>
<td>0.88</td>
<td>0.76</td>
<td>0.52</td>
</tr>
<tr>
<td>Asia</td>
<td>0.38</td>
<td>0.40</td>
<td>0.46</td>
<td>0.41</td>
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<tr>
<td>Latin America</td>
<td>0.64</td>
<td>0.57</td>
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<td>0.71</td>
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<tr>
<td>Developed countries</td>
<td>1.07</td>
<td>1.42</td>
<td>1.96</td>
<td>1.25</td>
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</table>

#### Price index of meats

<table>
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</thead>
<tbody>
<tr>
<td>Africa</td>
<td>2.87</td>
<td>3.71</td>
<td>2.78</td>
<td>2.54</td>
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<tr>
<td>Asia</td>
<td>1.87</td>
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<td>Latin America</td>
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<td>3.24</td>
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<tr>
<td>Developed countries</td>
<td>5.14</td>
<td>8.65</td>
<td>8.17</td>
<td>7.32</td>
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</table>

Source: ILO statistics
# High food price brings high wage

## Average wages in manufacturing sector

<table>
<thead>
<tr>
<th>Country</th>
<th>Year</th>
<th>Average wages</th>
<th>Per capital GDP</th>
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<tbody>
<tr>
<td>South Africa</td>
<td>2008</td>
<td>12,680</td>
<td>5,566</td>
</tr>
<tr>
<td>Senegal</td>
<td>2002</td>
<td>4,832</td>
<td>511</td>
</tr>
<tr>
<td>Kenya</td>
<td>2007</td>
<td>3,012</td>
<td>720</td>
</tr>
<tr>
<td>Ghana</td>
<td>2003</td>
<td>1,832</td>
<td>364</td>
</tr>
<tr>
<td>Tanzania</td>
<td>2007</td>
<td>1,709</td>
<td>419</td>
</tr>
<tr>
<td>China</td>
<td>2008</td>
<td>3,853</td>
<td>3,360</td>
</tr>
<tr>
<td>Thailand</td>
<td>2006</td>
<td>2,233</td>
<td>3,116</td>
</tr>
<tr>
<td>Indonesia</td>
<td>2007</td>
<td>1,667</td>
<td>1,924</td>
</tr>
<tr>
<td>Vietnam</td>
<td>2000</td>
<td>802</td>
<td>396</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>2007</td>
<td>12,044</td>
<td>16,966</td>
</tr>
</tbody>
</table>

Source: UNIDO statistics
Africa’s challenge

• Longtime subject of Africa’s development; to increase food productivity

• Huge gaps between GDP per capita and average wage, characteristics observed only in Africa, indicate the structure of persistent poverty

• While statehood is necessary for development, it’s often an obstacle for development in Africa
Japan’s challenge

• Japan into a corner: aging and shrinking population, low trade level, scarce inward FDI, small number of inbound and outbound

• To resuscitate Japan’s economy

• To secure free & fair international order

• New policies: Japan Revitalization Strategy, Invest Japan, Consortium for New Export Nation, TPP, Japan=EU EPA/FTA, legal reform on SDF, Japanese SOPEXA, triangle collaboration with France, Turkey, India in Africa, etc.
Future development in the relation of Africa and Asia

• Can China transfer its manufacturing to Africa?
• Is it really possible for partners to assist sustainable social development in Africa?
• Can Far East Asians manage their chauvinistic nationalism?
• Can Africans nurture self-sustainable private sector?