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Asia Africa Growth Corridor: Why it Matters

“India is a developing beacon for the rest of the world... Time is right for India and Africa to forge winning partnerships.”¹

-African Development Bank (AfDB) President Akinwumi Adesina

The 52nd Annual General Meeting of the Africa Development Bank (AfDB), the largest annual event of the bank, was held for the first time in India in Gandhinagar, Gujarat from May 22-26. Spain (2001), China (2007) and Portugal (2011) have earlier played hosts to the AfDB annual meetings when they were organized outside of Africa². The meeting in Gandhinagar was attended by around 4500 delegates including finance ministers and central bank governors from the organization’s 54 member countries and 26 non-member countries³. A major highlight of the annual meeting was PM Modi’s release of the vision document for Asia Africa Growth Corridor (AAGC). The idea of AAGC emerged from the joint statement issued during the annual summit between PM Modi and PM Shinzo Abe in November last year. The joint statement had stressed that improving connectivity between Asia and Africa through realizing a free and open Indo-Pacific region was vital to achieving prosperity of the entire region. The two leaders had further reiterated the need to develop synergies by coordinating bilateral policies and efforts with other partners, for better regional integration through industrial networks and improved connectivity⁴. The proposed AAGC thus seeks to encompass and integrate Africa, India and South Asia, Southeast Asia, East Asia and Oceania.

After Modi’s inaugural address mentioning the AAGC, a 30-page vision document was also presented for detailed discussions during a special seminar



on 'India-Japan cooperation for the development of Africa' on May 24. The vision document was prepared in collaboration with Research and Information System for Developing Countries (RIS), New Delhi, the Economic Research Institute for ASEAN and East Asia (ERIA), Jakarta, and Institute of Developing Economies (IDE-JETRO), Tokyo, amidst consultations with other Asian and African think-tanks. As per the vision document, AAGC will be based on four key pillars - Enhancing Capacity and Skills; Quality Infrastructure and Institutional Connectivity; Development and Cooperation Projects; and People to People Partnership. The AAGC will give priority to development projects in health and pharmaceuticals, agriculture and agro-processing, disaster management and skill enhancement⁵. AAGC also proposes to build robust maritime infrastructure to enhance growth poles among countries in Asia and Africa. The corridor envisages a largely people-centric sustainable growth strategy through developing institutional mechanisms and models for connecting businesses, people and think tanks in the region. However, the connectivity aspects of the AAGC have raised inevitable comparisons with the Belt & Road Initiative (BRI) launched by China. The comparisons are unavoidable especially after India gave a miss to the glitzy Belt & Road Forum held in Beijing earlier on May 14-15 stating its sovereignty concerns over the China Pakistan Economic Corridor (CPEC).

Despite the geopolitical frenzy, the comparisons between AAGC and BRI are unwarranted as there is a fundamental difference in both conception and proposed execution of the two projects. While BRI is largely an infrastructure extravaganza conceived by China to utilize its overcapacity, the AAGC is a multilateral collaborative effort to jointly meet Sustainable Development Goals (SDGs). The AAGC is an attempt at holistic development with emphasis on infrastructure that is in sync with the maturity of the infrastructure ecosystem in partner countries. Also rather than an ad hoc approach to selection of projects, Geographical Simulation Model (GSM) developed by JETRO, overlaid with the work that RIS and other think tanks have undertaken, will be used in final approval. In the first phase, owing to the importance of the Indian Ocean, the corridor will focus on countries on the eastern coast of Africa- Ethiopia, Somalia, Kenya, Uganda, Tanzania, Mozambique and South Africa. Further, island countries in the western Indian



Ocean- Madagascar, Mauritius, Seychelles and the Comoros- will also be offered priority. In the next stage, the three countries from the western coast of Africa, notably Cote D'Ivoire, Ghana and Gambia, will become the priority areas for reaching out to the hinterland and nations behind them⁶.

India's ties with the African continent have gained a pivotal momentum under Prime Minister Narendra Modi's government. The third India-Africa Forum Summit held in New Delhi in October 2015 saw all 54 African nations sending their representatives, 41 of them at the level of head of state or government. Further, in the past two years India has scaled up its diplomatic overtures with the President, the Vice President and the Prime Minister visiting 16 African countries traversing the length and breadth of the continent. India is the fifth largest investor in Africa, having invested \$54 billion in the past two decades. Concurrently, India-Africa trade also multiplied reaching an all-time high of \$72 billion in 2014-15. India's commodity trade with Africa in 2015-16 was also higher than the commodity trade with the US⁷. With dynamic private sectors and vast resources, Africa has the potential to grow faster and more inclusively. The continent's average growth is expected to rebound to 3.4 percent in 2017, assuming that the recovery in commodity prices is sustained and domestic macroeconomic reforms are entrenched. In 2018, growth is expected to consolidate, expanding by 4.3 percent⁸. Meanwhile, India is expected to achieve a higher growth trajectory on account of its domestic economic reforms with GDP growth projection of 7.2 percent for 2017-18⁹.

As per sources privy to the vision document, Japan is ready to commit about \$200 billion in the proposed growth corridor. Katsumi Hirano, executive vice-president of JETRO said in his address during the AfDB meeting that while investment from Chinese companies have been on a rise and has created employment in Africa, there is a question mark on the profitability and accountability of Chinese projects in Africa¹⁰. India's engagement with Africa on the other hand while generating goodwill has hitherto lagged behind China in project execution. However, unlike China, Indian state agencies are also more engaged in building local capacities in Africa. As per the released vision document, the next action step is the preparation of a 'vision study' for the project. A Research Support Unit will be set up in RIS and conduct the preparation of AAGC study this year and present it to the governments of



India and Japan, and other leaders and policy makers of Asia and Africa in 2018. More details are expected to emerge on the AAGC during the upcoming visit of Japanese PM Abe to India in September this year.

End Notes

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About VIF

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