

# Achieving Geopolitical Stability & Enhanced Growth Potential in Africa: Focus on TICAD VII's Strategic Role & the Indo-Pacific Initiative



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## Overview of Current Geopolitical Risks

Today's G-Zero situation, where no single country or bloc of countries has overall political and economic leverage, has resulted in intensified conflicts on the international stage (policy coordination, financial regulation, trade, climate, etc.) as large economies have preferred to pay more attention to domestic affairs while gradually renouncing international leadership. As a result, according to a report published by Eurasia Group (*After the G-Zero: Overcoming Fragmentation* by Ian Bremmer, 2016), the world is falling into an era of "new normal" economics. It is a situation of durably sluggish economic growth, not only in the traditional major economic powers, whose dominating position has been challenged by the BRICS nations, but also in China and emerging countries. For the latter, the main drivers, namely China's growth and high commodity prices, are weakening. The "new normal" economics is in turn accompanied by growing political instability and dissatisfaction among the population. In fact, economic crises are becoming more frequent, and vulnerability factors such as income inequality, poor governance and poor institutions, ethnic tensions and low provision of social goods are on the rise.

This expression of discontent has developed rapidly, especially since the 2008 financial crisis, while populist movements have increasingly challenged leaders and elites in many parts of the globe. Examples among others are the anti-austerity marches and anti-migration campaigns in Europe, the Arab Spring revolution, and the mass protests in South American, Asian and African countries. *The Economist* Intelligence Unit estimated that the risk of social unrest is high or very high in 65 countries out of 150 ("Protesting predictions", *The Economist*, December 2013).

Consequently, the world would undergo continuous dramatic changes fuelled by a new form of geopolitical risk as anti-*status quo* (anti-elitism, anti-establishment) sentiments and a sense of injustice intensify and become more globalized. Such a situation is clearing the way for the rise of fringe figures and parties (*Chart 1*). Politics is increasingly more radicalized, while demand for decentralization and secession is becoming more and more pressing. As the risks are more contagious, the world is thus heading to a "new normal" era governed by new kinds of conflict.

Even though Africa has experienced better economic performance (relatively higher growth since the late 2000s, improved governance, fast-growing middle class and dynamic economies), anti-*status quo*

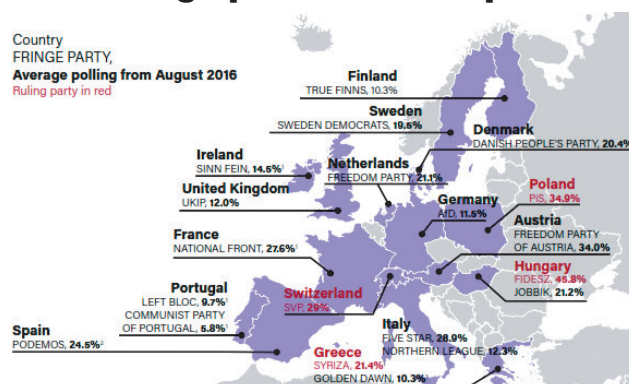
movements are expected to intensify, thereby exacerbating geopolitical risks and threatening the dynamism of global prosperity and global peace. Consequently, politically unstable Africa is of prime concern for the future of the world. It is within these contexts that this article will discuss on the one hand the urgent necessity of stabilizing Africa, and on the other hand, how the TICAD VII could contribute to the promotion of a Free and Open Indo-Pacific (FOIP) as a means to achieve this stabilization and to create a virtuous circle of economic prosperity and global peace.

## Africa's Stabilization "All or Nothing Game" for Global Prosperity

African countries and their international partners have made tremendous efforts to develop the region. Recent achievement in terms of economic growth is qualified as unprecedented by the Economic Commission for Africa (ECA). According to the ECA (*African Social Development Index: Measuring Human Exclusion for Structural Transformation, North Africa Report*, Addis Ababa, 2016), "Growth on the continent has averaged 5 per cent yearly, with some countries posting 7 to 11 per cent growth in Gross Domestic Product (GDP) in recent years." However, political instability fuelled by anti-*status quo* movements is expected to grow for three main reasons.

First, the current regional economic dynamism is threatened by growing terror attacks as well as by the strong presence of

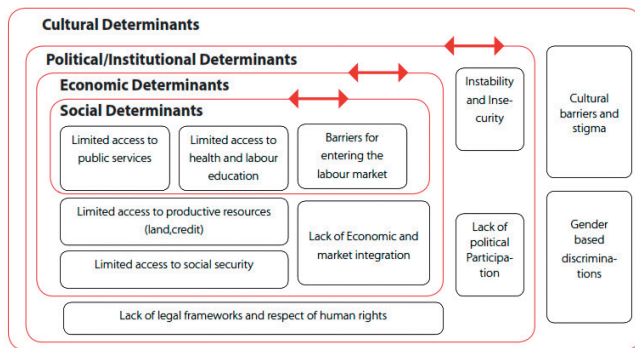
CHART 1  
**Rise of fringe parties in Europe**



Source: Ian Bremmer, *After the G-Zero: Overcoming Fragmentation*, Eurasia Group, London, 2016

CHART 2

## Determinants of social exclusion



Source: *African Social Development Index: Measuring Human Exclusion for Structural Transformation, North Africa Report (ECA 2016)*

vulnerability factors such as decades-long deep poverty, low intra-African trade, wide income inequality, injustice, insecurity, growing youth unemployment, corruption and poor institutions, and a high index of fragility. Second, dissatisfaction toward the “bad guys” (autocratic regimes and their rich political and business elites) is on the rise, as in Algeria and Sudan recently. Third, even in the so-called “democratic regimes”, policy failures have led to social exclusion, meaning a lack of social and economic opportunities (Chart 2), and making even higher the risk of political instability.

To illustrate, according to the World Bank (*Youth Employment in Sub-Saharan Africa*, 2014), more than half of the African population are under 25 years old, while the youth population (aged between 15 and 24) is growing rapidly and could reach 362 million by 2050. Only less than 25% of Africa’s youth are expected to find productive employment by 2024. So, instead of realizing a “demographic dividend”, Africa is more likely to experience radicalization of youth and more violence.

In turn, politically unstable Africa has a real potential to threaten the dynamism of global prosperity and global peace for the following reasons.

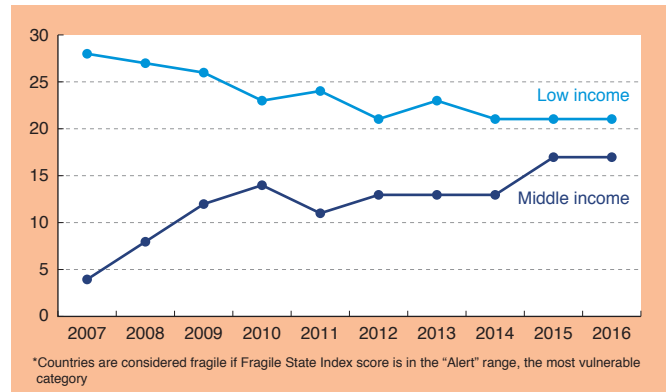
First, Africa itself is more likely to fall into a vicious circle of political instability, low growth and rising social discontent. Indeed, political instability would impede Africa in seizing growth opportunities as economic cooperation (investment, trade, economic infrastructure building, etc.) on which African economies depend heavily will be discouraged.

Second, low or negative growth in Africa would reinforce the above-mentioned vulnerability factors and social exclusion, thereby making the risk even higher. The continent is becoming a favorable platform for all kinds of trafficking, the growth of extremism and radicalism, and worldwide terror attacks.

Third, political risk fuelled by growing social discontent in emerging economies is more likely to increase as many are on the edge of the “Middle-Income Trap” (“Middle-Income Traps: A Conceptual and Empirical Survey” by Fernando Gabriel Im and David

CHART 3

## Number of fragile states per income group



Source: Ian Bremmer, *After the G-Zero: Overcoming Fragmentation*, Eurasia Group, London, 2016

Rosenblatt, *Policy Research Paper 6594*, World Bank, 2013). Moreover, the number of Middle-Income countries becoming fragile states is increasing (Chart 3). A stable Africa could offer them a great opportunity for economic cooperation (trade and investment), thereby helping them to reverse the situation. By the same token, a politically unstable Africa would not make it happen and emerging economies will be trapped in a vicious circle of low growth and political instability.

Fourth, demographic structures characterized by aging populations in advanced as well as in many emerging economies make it difficult for these countries to sustain steady long-term economic growth since they lack both labor (for production) and demand (for consumption) needed for that to happen. Africa with its rapidly growing youth can answer these needs. But if political instability continues to prevail, such opportunities will be missing. Consequently, the “new normal” economics is more likely to persist with its adverse effects.

To sum up, the stabilization of Africa is required in order to save the world from falling into global chaos. A politically stable and economically prosperous Africa would bring nothing but benefits for all. This is a kind of “all or nothing game”.

### Avoiding the Danger of Rejection of Democracy in Africa

It is worth noting that in the current G-Zero situation the struggle for influence between the United States and China is intensifying. As regards Africa, it appears that China has gained relatively more ascendancy in the region due to the attractiveness of its economic cooperation scheme based on its non-interference (in internal affairs) policy, known as the “Beijing consensus”. In addition, the “Beijing consensus” comes at a time when the Western ideological system embodied in the “Washington consensus” has started losing ground due to its failure to generate significant positive economic and social outcomes since its inception in the 1980s, as perceived by

the large majority of the population in Africa. In other words, populations as well as political elites in Africa are more concerned about what they really perceive daily, rather than what theories tell them. It means that they are more interested in how to achieve prosperity and improve living standards quickly than how to achieve democracy and implement effective reforms. Therefore, China's "One Belt, One Road" initiative is much more welcomed in the region and is gaining momentum as it promises a fast improvement in living standards for many Africans.

Moreover, China's experience is widely perceived as evidence of real success which is not based on Western ideological values and systems. Thus, the "Beijing consensus" is challenging the "Washington consensus" as many African leaders (as well as the majority of the population) see it as a great opportunity for development and as a financing alternative to free themselves from the severe conditionality of the "Washington consensus". Consequently, the ideological division between the West (and its allies) and the rest of the world is expected to widen in the future as the Western ideological system, especially liberal democracy, is no longer convincing, and prioritizing economic rights is gradually taking over from prioritizing political rights.

This perception change needs to be considered cautiously because it may constitute a new and more serious source of geopolitical risks if it is not managed adequately. Such a situation is favoring China's ambitious global expansion strategy based on unconditional ODA and investment, which is more likely to preserve the *status quo* in Africa by breeding "bad guys" and enhancing their power, and increasing fragility and polarization in African nations. If the West continues to ignore this perception change and if nothing is done to manage it adequately, the world may see bigger state roles (state capitalism), increasing protectionism, fewer political rights and restricted individual freedom in Africa. This trend toward a total rejection of liberal democracy would necessarily result in a broken world that will benefit no one. Therefore, it is time for the West to show goodwill and stop abusing its dominant historic position, so that its economic cooperation schemes with Africa should henceforth prioritize the creation of a middle class and the promotion of trade and investment. If it does so, the outcome will necessarily be inclusive growth, economic prosperity, more democracy and consequently a peaceful African society. A shift in its cooperation paradigm is henceforth needed. In this respect, the Japanese experience in Africa deserves special consideration.

### TICAD VII as a Vehicle of Stabilization in Africa

Like that of its Western allies, Japan's cooperation strategy has primarily focused on peace building and stability in the region, as is stated in the 2003 revised ODA charter: "Japan will give priority to assisting developing countries that make active efforts to pursue peace, democratization, and the protection of human rights, as well as structural reform in the economic and social spheres" (Ministry of Foreign Affairs 2003, Japan's Official Development Assistance Charter). However, being aware of the above-mentioned perception

change and the need to adjust its cooperation strategy, Japan has gradually made a shift in its cooperation paradigm, especially since TICAD V. The promotion of economic growth has been prioritized over peace building, regional stability and reforms. Indeed, the latter are more likely to be achieved by economic means rather than by military or humanitarian means. As opposed to economic actions, the temporary nature of the military and humanitarian actions make them a less efficient instrument to achieve sustainable peace.

Therefore, strategies aiming at economic prosperity and inclusive growth in the region would be more successful. For this purpose, the shift in Japan's cooperation paradigm is first reflected in the six pillars of TICAD V (Chart 4). Five of them concern economic prosperity whereas "boosting economic growth" is the first priority.

Furthermore, the shift was made official in the 2015 revision of the ODA charter. Again, the first priority was given to "quality growth" and poverty eradication through such growth. Precisely, the document states that:

*"...in order to resolve the poverty issue in a sustainable manner, it is essential to achieve economic growth through human resources development, infrastructure development and establishment of regulations and institutions as well as the growth of the private sector enabled by the aforementioned actions....However, such growth should not be merely quantitative in nature, given that some of the countries that have achieved a measure of economic growth face challenges such as widening disparities, sustainability issues, inadequate social development, and political and economic instability. Rather, it should be 'quality growth'. Such growth is inclusive in that the fruits of growth are shared within society as a whole, leaving no one behind...From this perspective, Japan will provide assistance necessary to secure the foundations and the driving force for economic growth. Its scope includes: the development of industrial infrastructure and industries through improvements in such areas as infrastructure, finance and trade and investment climate; sustainable cities; introduction of information and communications technology (ICT) and high technology; promotion of science, technology and innovation; research and*

CHART 4

### Pillars of TICAD V & TICAD VI



Source: TICAD Report 2018: Progress and Way Forward, Japanese Ministry of Foreign Affairs

*development; economic policy; vocational training and industrial human resources development; employment creation; and the promotion of agriculture, forestry and fisheries that includes the development of food value chains.”*

More importantly, Japan's cooperation strategy places the emphasis on recipient countries' ownership and on assistance for graduation. In doing so, Japan will capitalize on developing countries' "self-help" efforts and take advantage of its experience and expertise.

As a consequence of this change in cooperation strategy, the interval of holding TICAD meetings was shortened from five to three years, while the first post-change meeting (TICAD VI) was for the first time held in Africa (Nairobi) in August 2016. TICAD VI can be qualified as the major turning point in Japan's cooperation strategy with Africa for two main reasons.

First, recipient country's economic prosperity is henceforth at the forefront of this cooperation strategy as the top priority given to "quality growth" was further stressed in the "Nairobi Declaration". Japan and other participating countries and organizations have chosen "promotion of structural economic transformation" as the first priority area, or Pillar 1, of TICAD VI. More importantly, emphasis will be on (1) economic diversification and industrialization, (2) the building of quality infrastructure, (3) private sector development, and (4) human resource development. In other words, Japan will give priority to building the foundations of self-help efforts and self-reliant development in Africa. The expected outcome would be the growth of the middle class along with inclusive growth through trade, investment and employment creation for youth. Ultimately sustained inclusive growth prepares the ground for more democracy and sustainable peace in Africa, thereby curtailing geopolitical risks. So far, 53.33% of TICAD VI's \$30 billion assistance package under public and private partnerships has been disbursed, as of September 2018, according to the Ministry of Foreign Affairs.

Second, actions and measures to be taken within this first priority area will at first aim at improving the business climate and enhancing the competitiveness of African economies. In doing so, Africa will boost its capacity to attract more foreign direct investment (FDI) from advanced as well as from emerging economies, notably in Asia. Intra-African and international trade will develop as well, along with the growth of the African middle class. In this respect, TICAD VI is a double-edged sword which allows economic prosperity in Africa while offering economic opportunities to developed and emerging economies, in order for the latter to cope with aging populations and escape from the "middle-income trap". In other words, the paradigm shift within the TICAD VI will undoubtedly play a significant role in mitigating current geopolitical risks and in paving the way toward sustainable global peace.

Recent trends in Africa's economic performance support TICAD VI's potential to achieve economic prosperity in Africa, and consequently to contribute to stability in the region. Thus, even though Africa is lagging far behind the rest of the world in terms of economic and social development, many observers have noted some

promising achievements that indicate the continent is on the right track. For example, Africa has continued to sustain steady high growth since the last decade and it accounted for half of the world's fastest-growing economies in 2017. In addition, the number of countries which will grow by 5% and above is projected to double between 2017 and 2023. African countries continue to improve their business climates, as 17 countries did between 2016 and 2017, while real improvement in business enablers, such as infrastructure, technology, market size and business sophistication, has been noticed since 2017 (*The Global Competitiveness Report*, World Economic Forum, 2018). Nonetheless, the capacity of Africa to attract the FDI needed for its structural transformation is still very low. Actions and efforts which were undertaken within the preceding TICADs, particularly TICAD VI, need to be strengthened and pursued in a sustainable manner in order to produce more positive outcomes, in terms of economic prosperity and regional stability. The coming TICAD VII has great potential to achieve such a goal, for at least two main reasons.

First, there is a guarantee that the efforts discussed above will be continued and further strengthened within TICAD VII. In fact, participants at the TICAD ministerial meeting on Oct. 6-7, 2018, in Yokohama (more than 2,000 representatives from 52 African countries, development partners, international and regional institutions, private companies, etc.) underscored the need for urgent policy actions to address Africa's binding constraints to growth, notably the lack of diversification, poor infrastructure, lack of access to energy and large unemployed youth population, in order to reach the 7% GDP growth rate required for a sustainable growth path.

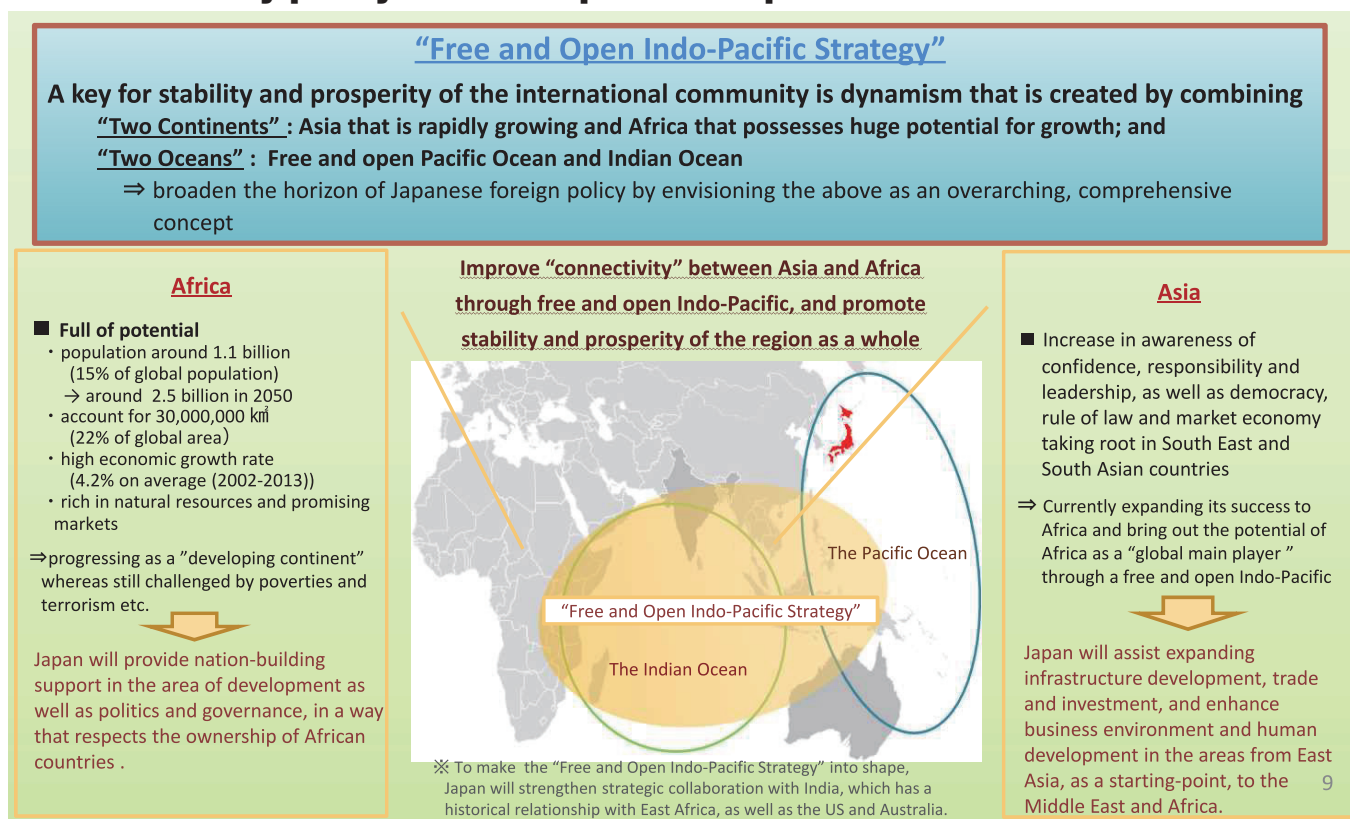
Second, addressing only these challenges to economic transformation is not sufficient in order to reach a "happy marriage" between Japan and African countries, in terms of trade and investment promotion, because of the huge distance between the two regions. Japanese and Asian investors are hampered by this obsession of distance and are reluctant to directly invest in Africa. In order to cope with this obstacle, TICAD VII will necessarily be the implementation framework of Japan's first priority policy for development cooperation. That is the promotion of a FOIP strategy announced by Prime Minister Shinzo Abe during TICAD VI, and unanimously adopted by the participants in the 2018 ministerial meeting.

In this regard, Japan will enhance "connectivity" between Asia and Africa to promote stability and prosperity in the region as a whole (*Chart 5*). A solid and reliable bridge is thus needed in the Indo-Pacific region. In this regard, the creation of an Indian-Ocean Rim (IOR) economic zone, modelled on APEC, is crucial in order to make it as one market and as a hub for trade, investment, and financial activities linking Asia and Africa. The primary focus should be on developing the IOR economies through the promotion of trade and FDI, and the use of ODA in economic infrastructure, private sector development, human resource development, and knowledge transfer. In other words, the FOIP initiative is to complement and to support those actions which have already targeted structural economic



CHART 5

## FY2017 Priority policy for development cooperation



Source: Japanese Ministry of Foreign Affairs 2017 (<https://www.mofa.go.jp/files/000259285.pdf>)

transformation in Africa.

### Conclusion

High political risk, rooted in the decades-long *status quo* in Africa, is further exacerbated by today's G-Zero situation, the decline of Western ideological systems and values which are no longer more convincing, and by China's ambitious global expansion strategy based on unconditional ODA and investment. Moreover, it is argued that Africa poses a real threat, not only to itself but to the world. Therefore, the stabilization of the region, which is a kind of “all or nothing game”, is strongly needed in order to achieve global prosperity and peace.

For that to happen, a paradigm shift is needed because the old one will not produce effective and positive outcomes within the current situation. The primary focus should be on inclusive growth through the promotion of trade and investment, employment creation, and the development of the middle class. Africa would then be able to improve living standards and to achieve economic prosperity, and consequently more democracy and stability.

Following the revision of Japan's ODA charter in 2015, TICAD VII could contribute to this stabilization and to the creation of a virtuous circle of economic prosperity and global peace on the basis of the new foreign policy strategy, which is the FOIP strategy. Indeed,

TICAD VII will pursue and even strengthen TICAD VI's priority actions for structural economic transformation, with more emphasis on building the foundations of self-help efforts and self-reliant development in Africa. In addition, a “happy marriage” between Japan and African countries is possible as the distance issue will no longer be an important challenge.

Thanks to the FOIP strategy, TICAD VII will contribute to the building of a “solid and reliable bridge” in order to enhance “connectivity” between Asia and Africa. Priority actions include developing an IOR economic zone and promoting international cooperation to fight global terrorism, piracy and various kinds of trafficking in this zone in order to have a secured and opened Indo-Pacific zone for an effective “happy marriage”.

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