

Interview with H. E. Mr. Kassa T. Gebrehiwet, Ambassador of the Federal Democratic Republic of Ethiopia to Japan

# New Ethiopian Government Pursuing Collaboration with Japanese Businesses

By Japan SPOTLIGHT

Ethiopia, which has the second-largest population after Nigeria in Africa, is a country that many Japanese love and are interested in because of its rich tourism resources and long history. The newly established government in 2018 has started a more open foreign and economic policy. *Japan SPOTLIGHT* interviewed the country's new ambassador to Japan.

(Interviewed on July 12, 2019)

## Self-Introduction

**JS:** First, could you please briefly introduce yourself and tell us about your work on Asia and Japan so far?

**Kassa:** My name is Kassa T. Gebrehiwet and this is my second posting, after the United States. Before that I served in public office for more than three decades, including as minister of Federal and Pastoralist Development Affairs, and as speaker of our House of Federation. I also headed various bureaus including those of industry and investment, administration, agriculture and public relations. Because of my experience in public office, I'm familiar with government policies and processes.

I also think that many Ethiopians are also familiar with Japan. Most of our cars brands, like Toyota, are made in Japan. Many educated people in Ethiopia have a better understanding of Japan because of the history of relations between our two countries that dates back to the 1930s. There was actually a group of Ethiopian intellectuals during Emperor Haile Selassie's regime that searched into Japan's fast GDP growth and success, and advised that Ethiopia should follow in Japan's footsteps to quickly catch up with the developed world. Lessons from Japan and other emerging countries informed the drafting of the Ethiopian Foreign Policy and National Security Strategy and local socio-economic policies. Our country has achieved considerable progress as a result of these policies.

So, even though I had not physically visited Japan before my assignment here, I have been quite familiar with it. And I have wanted to visit the country for so long. Therefore, I was delighted to be given the opportunity to serve my country here. I arrived in March of this year and have been actively meeting with many Japanese government and business organizations.



H. E. Mr. Kassa T. Gebrehiwet

## Current Ethiopian Government's Policies

**JS:** Could you tell us about the current foreign and economic policies that the Ethiopian government has been pursuing since 2018?

**Kassa:** Our foreign policy, which is under review, had been an inward-looking policy focusing on tackling the problems at home and identifying our internal vulnerabilities. We have learnt much from studying the experiences of countries like Japan. We focused on eradicating poverty through fast and fair economic development, nurturing and developing democracy and good governance, and ensuring peace and stability at home and

in the region. The primary focus of our diplomats was to bring much-needed investment and other economic benefits to Ethiopia. Remarkable development has been achieved so far. Now our foreign policy is being reviewed to include recent local and global developments and expand areas of cooperation, focus on development, as in the past, and attract more foreign direct investment (FDI). Continued efforts to strengthen strong relationships and regional integration between neighboring and other countries will create more economic interdependency.

Peacekeeping, citizen-centered diplomacy and public diplomacy have been added to the policy document. The issue of climate change is also vital to us. We have been proactively engaged in climate change initiatives and peacekeeping operations. Ethiopia is the largest troop contributor to UN peacekeeping currently, with over 8,300 uniformed personnel.

Apart from implementing these political and structural reforms, we are also undertaking massive and bold economic reforms. Ethiopia has

decided to liberalize and open up the economy, including partially privatizing Ethiopian Airlines, Ethio-Telecom, big factories, as well as the shipping and logistics sector, and full privatization of sugar industries, railways, industrial parks and others. Many other public enterprises are already in the pipeline for privatization.

Opening new sectors allows international firms to form a joint venture with domestic business people. For example, one of the biggest firms, Ethiopian Cargo, is in talks with DHL. Apart from Djibouti which serves as the main gateway for our imports and exports, efforts have been underway to use ports in Sudan, Kenya and Somalia. In addition, we are working to use the ports of Massawa and Assab following our peace agreement with Eritrea. Efforts are also underway to make Ethiopia very conducive to Japanese and other investors to come. We are scaling up on past developments and introducing new reforms in areas where we have seen weakness. We have done the basic policy reform and preparation with our level best to make Ethiopia the emerging manufacturing hub of Africa.

### Assessment of TICAD

**JS: Since your government is now more open in foreign and economic policy, how do you assess what TICAD has achieved so far?**

**Kassa:** I believe that the success of TICAD must be measured against the main objectives it set to achieve. Its objectives are, first, to promote high-level policy dialogue between African leaders and their partners, and second, to mobilize support for African-owned development initiatives. So we believe TICAD has achieved a lot in this regard.

Of course, it needs more effort. For example, the first TICAD framework helped to set up a business relationship between Africa and Japan. The relationship has been shifting, I believe, from an aid relationship to trade and investment and resulted in a number of Japanese companies bringing much-needed investment and other economic benefits to businesses in Africa. The number of companies has increased to more than 448 and the official development assistance (ODA) amount has also increased.

The visibility of Africa in Japan and vice-versa has highly improved. Japanese government institutions such as the Japan International Cooperation Agency (JICA) and the Japan External Trade Organization (JETRO) have opened many branch offices in Africa. JICA is present in 34 African countries, while JETRO has eight offices in Africa. Both institutions have offices in Ethiopia. So this is the most important bridge between Africa, Ethiopia and Japan, even though not at the desired level for either side.

Japan's financial support for projects in Africa has also increased but it pales in comparison with that of Southeast Asia and Oceania. Japan's engagement in African peace and security, anti-terrorism and extremism to prevent piracy and related African issues has also widened.

That said, the educational and human resource capacity-building

support of Japan for Africa currently has benefited many African countries. The African Business Education (ABE) Initiative was launched as part of the TICAD framework. Many training opportunities have also been provided. Of course, it is a much smaller share than it should be.

**JS: Do you expect TICAD VII in Yokohama to fill the gap between your expectations and reality?**

**Kassa:** We have high expectations that the leaders at this TICAD summit will announce a major leapfrog decision. Until now the majority of TICAD efforts between Japan and Africa have been focusing on pre-production – such as creating understanding and just establishing institutions, and also, to some extent, bringing in various professionals for training. On a smaller scale, the private sector has grown slowly. That was the fundamental preparation phase and, I believe, it is finished. So now we anticipate the Marshall phase or the massive and mega-operational phase to be announced. TICAD VII is expected to focus primarily on building business-to-business relations between the private sector of Japan and Africa.

We expect that Japanese investors will look at Africa for what it is: a continent with tremendous untapped business opportunities, natural resources, abundant human capital, and strategically convenient geographical location. Governments are also eagerly trying to improve a conducive business environment. We hope a mutual understanding between business people will develop and increase because many Japanese companies and government officials as well as African businesses will participate at this meeting.

Another expectation is smoother and larger amounts of financial flows into Africa, to assist the private and joint venture investments and the governments. Many African countries lack capital, so Japanese financial institutions can assist both Japanese and African companies with funding. A 2017 report from the Bank of Japan says that Japan has more than \$100 billion in FDI in ASEAN countries. We would like to see increased engagement on a bigger scale for Africa. Many African countries need additional ODA.

And finally, education and training, which the ABE initiative supports, should offer our younger people more actionable opportunities. The Japanese government is now looking to increase its labor force. I think it will be useful to look into African countries which have an abundance of young workers who simply need training.

**JS: The ABE Initiative started in 2014 to support human resources development. How do you assess its contribution to your country's economic achievements?**

**Kassa:** The aim is to cultivate a strong human network between Japan and Africa, to increase the number of African people visiting Japan, and to enhance awareness among Africans regarding the efficiency of Japanese technologies and systems of enterprise. The role human capital could play in business and hence the prosperity of Africa is



really immense. Sending students to Japanese universities and also accessing internships in companies offer opportunities to learn and experience the way of doing business, the working culture, and the focus on quality. Japanese companies can tap into graduates from this program to establish business in African countries. So it is very productive, very effective and very fruitful. But in my view, it should be more.

The initial five-year plan called for 1,000 African students to earn master's degrees at Japanese universities, as well as being interns at various Japanese companies. Actually, African countries have sent 1,218 students. More than 66 Ethiopians have participated in this initiative. This education, plus the *kaizen* ("improvement") system, has introduced a new way of thinking to businesses and institutions in Ethiopia. We are especially trying to apply *kaizen* in government institutions and businesses alike.

But it is obvious that for 54 African countries with a combined population of 1.2 billion people there is considerable room for expansion.

## Japanese Business Contribution to Ethiopian Economy

**JS:** Can you elaborate more about the Japanese business contribution to the Ethiopian economy or African economy in general from your perspective?

**Kassa:** Ethiopia has become a beneficiary of Japanese development assistance over the years. Japan has been providing assistance in agriculture, water resources, health, education, infrastructure and road development, and it provides a wide range of support in the form of grants and technical cooperation. A short list of projects financed by Japan includes: the Renaissance Bridge on the Abay (Blue Nile) River, the rehabilitation of the bridge on the Awash River, the Addis Ababa-Debreworkos Road and the Aluto Langanu Geothermal Project feasibility studies.

Likewise, we appreciate the concessional loan of \$50 million for the Women Entrepreneur Development Project. This was the first such loan in 43 years. And last year we received ODA of \$50 million for construction of secondary schools in Ethiopia. The Japanese government already allocated 750 million birr for building the Kaizen Human Resource Institute in Addis Ababa. We hope that will become a Kaizen Excellence center for our continent. So we are grateful for the level of development cooperation with the Japanese government. What is of greater importance is that the Japanese government's development assistance has always been in line with our government's priorities.

Another significant work in terms of our cooperation with JICA is what was done in the leather industry. In its size it looks very small, but in terms of impact, it is very big. The Japan Leather Industry Association has been working to promote Ethiopian Highland Leather since 2015 using the champion product approach through JICA's extensive support based on quantifying its attributes through scientific analysis. So, Ethiopian Highland Leather was branded and identified as the highest quality product with legally protected patents and intellectual property, and its promotion, production and distribution is underway. The Ethiopian Highland Leather brand displayed finished products at the *Premiere Classe* exhibition in Paris in 2018. This has created a big opportunity for Ethiopia and building on this, additional industrial projects and promotion experts are coming and working with industries. Japanese business expertise has been very helpful in this industry.

The number of Japanese companies doing business in Africa has reached at least 448. According to *African Business* magazine, 131 of them are in South Africa, 47 in Egypt, 43 in Kenya, and 35 in Morocco. Ethiopia is 14th out of 54 countries. We have to work hard to attract Japanese firms. But for those who started in Ethiopia, they are becoming productive, fruitful and very helpful.

**JS:** How do you assess the impact of the digital revolution in your country?

**Kassa:** Actually, the upcoming TICAD VII theme is "Advancing Africa's development through people, technology and innovation". About 10 million young Africans are expected to enter the labor market annually. It's the fastest-growing labor force in the world, and is an important and abundant resource. Over the next decade this could give Africa a competitive advantage in areas of digitalization. Young people are really going well ahead with mobile and Internet technology.

Many countries have already started the path towards a digital economy. Some African countries – Rwanda, Nigeria, South Africa, Ghana, and Kenya – have already demonstrated the capacity to harness our digital technologies in helping the continent leapfrog traditional models of development and mobile phones. Establishing a platform for mobile payments and transactions opens the door to the "platform economy" of e-commerce and online markets and the "shared economy", which have become drivers of growth in digital economies. Senegal has set a target of generating 10% of its GDP

from the digital economy by 2025.

The Ethiopian government realized, some years back, the potential of digital technology and the IT industry and has taken the initiative to establish an Information Communication Technology (ICT) village to strengthen the local IT industry and the business sector in Ethiopia with the aim of attracting direct foreign investment and stimulating the growth of the domestic ICT program. By creating an enabling environment for a private sector initiative, my government gives special attention to work with the Japanese government, because Japan is one of the leading countries in science and technology. We hope these initiatives will be attractive to small and medium Japanese enterprises and even high-tech industries that are ready to make investment in the sector.

### **JS: What possible contributions do you anticipate from the newly established “Africa Business Association” in Japan?**

**Kassa:** The Africa Business Association that came into being in June 2018 could be an instrument to enhance business relations between the private sector of Japan and Africa. For me, this association could help to create more confidence among Japanese companies to engage either in joint ventures or investment by themselves. It will enhance Africa’s business visibility by addressing the misperceptions of African business competitiveness.

This is an extension of institutions and organizations that will strengthen the relationship between Africa and Japan. We are expanding our network from government to government and now focusing on the private sectors and exploring the challenges they face, what opportunities exist and how they can work together to create a positive impact in Africa. Those who have already done business in Africa will offer testimony to their success and possibilities.

## **Collaboration for Startups in the Digital Industry**

### **JS: Focusing on digital technology, startup businesses, and collaboration for startups between Japan and Africa might be very important. How effective will this be in expanding business opportunities for Japan and Africa?**

**Kassa:** When I was ambassador in the US, I went to Silicon Valley and talked with young entrepreneurs. Some of them have startup businesses. Some were very lucrative with clear business models, while others lacked access to technology, marketing and finance. Africa is now truly close to a digital revolution. African youths have better skills in digital and technology and can be easily trained in the skills of the digital industry. Big tech companies and specialized education companies are already building these skills in key African markets. In Ethiopia too, we have many graduates in the sector due to the attention given by the government. We have two “Excellence

Universities” for technology.

JICA supports the development of a national ICT strategy in Rwanda. They established a knowledge-based economy and with this support Rwanda is attracting many investors. The Ethiopian government has realized the potential of the IT industry and as I said before, we are trying to encourage and support new startup businesses in the country through our new policies.

I have spoken with people at the Tokyo Chamber of Commerce and they told me that most of its members are small and medium enterprises. Some of them began as startups. So for Africa, it’s a most important area of investment and an area of collaboration with our partners. The new startups and operational business in Africa can be a bridge to enhanced cooperation with advanced, technical, equipped and innovative companies in Japan.

## **Other Issues for Ethiopia & Japan**

### **JS: Africa has a wide range of tourism resources and maybe Ethiopia is among the best. Do you have any particular plan to attract more tourists from Japan to Africa?**

**Kassa:** Definitely. That’s one of our main missions. I just visited your tourism association, and the president and his colleagues offered an amazing trove of data. Every year more than 20 million Japanese travel the world and spend more than \$20 billion on tourism. But these numbers do not include Africa, or only a very small share. Less than 100,000 people are going to Africa.

But as you commented, Africa is attractive and is endowed with lots of quite unique natural resources and wildlife, and hosts many cultural and historical sites. Ethiopia is one of the origins of human beings, has many indigenous animals, is a melting pot of diverse cultures, and has a history of more than 3,000 years of civilization. Our country is truly quite unique. Just to mention one natural site, there is an active volcano which attracts plenty of adventurous tourists. Some Japanese tourists also enjoy visiting this active boiling volcano.

One thing we will need to work on is the perception people have about Africa. The perception that Africa is not peaceful is not true. Therefore, one of our primary objectives is to change that perception and encourage Japanese people to visit Africa, and Ethiopia. Ethiopian Airlines has direct flights to Addis Ababa five times a week and after arriving you can connect to 54 countries effortlessly. So there is an attractive destination and there is transport. The only problem is that the Japanese people have to know that Africa is not a big problem to visit. It is as convenient as traveling to Europe, the US and other parts of Asia. I think that out of 20 million Japanese tourists, 2 or 3 million should be able to visit Africa and especially Ethiopia. **JS**

Written with the cooperation of Dan Considine who teaches at Seikei University and is president of NeTip Inc.