

Introduction

This report is prepared by the research team organized in IDE-JETRO in 2018 in order to study the challenges for enhancing connectivity between rapidly growing Asia and Africa with huge potential of growth. Improving connectivity and strengthening economic partnership including EPA/FTAs and investment treaties for the pursuit of economic prosperity are one of the basic concepts to realize Free and Open Indo-Pacific (FOIP).

This report consists of five chapters. Chapter 1 considers the applicability of GVCs driven development strategy, as they call, to Sub Sahara African countries. The spread of GVCs due to the rapid decline of transportation and communication cost, has also provided developing economies for opportunities to participate to value chain of high tech products by specializing itself to a niche segment. It is no longer necessary or efficient to build an entire value chain from scratch, as assumed in the “flying geese” model of economic development. The authors identify the factors that are essential for SSA countries to participate GVCs.

Enhancing connectivity through quality infrastructure is a key for growth. Chapter 2 examines the economic impact of improvement of physical and institutional infrastructure between Asia and Africa through utilizing the IDE-GSM (Institute of Developing Economies-Geographical Simulation Model), which is a computational general equilibrium model based on spatial economics, to analyse the economic impacts of various combinations in the soft/hard infrastructures in Asia-Africa regions. It argues that the improvement of maritime transportation between Asia and Africa, especially East Africa has vital importance as it would multiply the economic impact of the improvement of land transportation other infrastructure as well as of institutional connectivity within Africa.

FDI is the driving force for the expansion of GVCs beyond borders. Chapter 3 examines the pattern and features of inflow of FDI to SSA countries that rapidly increased in last two decades. It argues that FDI to non-resource rich countries involves more local partners.

Chapter 4 considers the current situation of the institutional connectivity between Asia and Africa including the bilateral and regional trade and investment agreements. It also considers the e-commerce regulations of certain countries, which has become a platform for economic activities and transactions not only within a country but also beyond borders.

Emerging digital economy will provides a new development pathway for developing countries. Communication technology drastically reduces face-to-face communication cost, and it enlarges the possibility for people to connect each other beyond borders. It also connect the people in rural or remote are to the local and global market. The people will have more opportunities gain the benefits from participating GVCs. Many countries in Asia and Africa have started many efforts to create innovation ecosystems to enhance the people to become innovators or entrepreneurs. Chapter 5 identifies the challenges in the enabling ecosystems in emerging economies based on the case studies in Rwanda and Uganda.

We hope these chapters will help to fill the gap between the growing expectation toward the Asia-Africa partnership for economic prosperity and the existing many challenges to realize the FOIP.