Session 7

Business Promotion through Partnership: Unlocking Business Opportunities with African and Third Country Collaborations

Moderator

Tadashi Yokoyama

Head of Asia External Representative Office – African Development Bank

Mr. Yokoyama started the session on *Partnership*. The Japanese companies can enjoy a win-win relationship in Africa to create employment, contribute to industrialization and develop human resources, transfer technology, and be engaged in growth that would benefit Africa.

The Japanese companies from the private sectors find it difficult to expand their business in Africa due to lack of information, risk perception is high and it is difficult to find a good partner.

Developing an investment environment in Africa is important. In the current business environment, companies from America, Europe, India and Turkey are making investments in Africa and earning profit by conducting usual business in partnership with people who are aware about African market. Having a local partner is helpful.

The first step is to work together with local partners. If it is difficult to find an African partner in a particular country, one can work with an African partner of a different country or work in a third country or work from a different continent.

AfDB opened its Tokyo office in 2012 and found that the Japanese market is a difficult market. AfDB is co-organizing and working together with the African Diplomatic Corps to develop a Japanese market.

Mr. Yokoyama invited *Mr. Hirano* to share his view of Japanese companies looking for partnerships in Africa.

Dr. Katsumi Hirano

Executive Vice President – JETRO

Mr. Hirano stated that when JETRO obtains feedback from Japanese businesses, the high risk level is pointed out first. Although Japanese companies think the risk is high, non-Japanese companies make investments in Africa. The presence of Japanese private sector is extremely low. For Japanese businesses to be truly global, they have to be present in Africa and in regions other than Asia. Japanese businesses must expand their interface and contact points with countries worldwide.

In this regard, JETRO is promoting Japanese investments into Africa and vice versa. Simultaneously, JETRO is trying to re-enhance economic relations with other countries like India.

There should be total collaboration to strengthen the bilateral economic ties between Japan and India. Japanese and Indian businesses need to jointly collaborate in third countries like Africa. As part of the globalization efforts of the Japanese companies, JETRO is promoting activities, which are not just limited to certain regions but are promoted worldwide.

Countries like France, UK, and India have a high level of presence in Africa. Japanese businesses should collaborate with companies from those countries so that SMEs of Japan can make investments in Africa. JETRO offers some training courses and explanation on case studies to Japanese businesses and local companies on such efforts.

Mr. Yokoyama summed up by saying that the World Bank Business Ranking revealed that the African countries were not bad when compared to the Asian countries in terms of doing business.

In acquiring a third country company, a traditional French trading firm, as a partner, what are the challenges, the background for that, the effect of acquisition, and the lessons learned by Toyota Tsusho and what is the future vision of the business?

Yasuhiko Yokoi
Executive Vice President, Toyota Tsusho Corporation

Mr. Yokoi stated that Toyota Tsusho chose a French company CFAO as a partner to do business in Africa.

Toyota Tsusho started over 90 years ago in Africa with trading as the initial business. In the 90s, Toyota Tsusho made business investments in Southeastern Africa. They established a network for sales and aftersales service for automobiles. Through the sales and aftersales services, they came into contact with many consumers in Africa directly. They learned that for successful sustainable growth in Africa, they should be accepted by the society and people of Africa.

In year 2000, they positioned Africa as a priority area, company-wide, and started various approaches towards expanding business in Africa. Firstly, with the knowledge of the market in Southeastern Africa, they started making inroads into business areas other than automotive. But with no experience of doing business in the Francophone region of Western or Midwestern Africa, they could not gain a foothold for entering into this market.

Toyota Tsusho made various studies and decided on CFAO, which has a long history of doing business in the Midwestern Africa. It is a highly trusted entity and a preferred business partner. Toyota Tsusho was eyeing opportunities to tie up with CFAO. Automotive business being CFAO's core business is another reason Toyota Tsusho chose them as their partner.

Toyota Tsusho made an expensive M&A deal of $234 billion, when it got the information that the parent company of CFAO was reviewing its business portfolio and was going to divest from CFAO.

This was the largest M&A deal for Toyota Tsusho, for which they did some detailed vetting in advance and negotiated speedily. The top management of both companies communicated frequently to make quick decisions. Although unusual for Japanese company, a deal was reached in 2012 within a short period of time to obtain 98% of CFAO.

There are three positives with CFAO in the group. Firstly, the geographical coverage expanded. CFAO does business in the middle and western part of Africa. Toyota Tsusho does business in the Anglophone areas of Africa. If the two territories are joined, with the exclusion of Libya, Toyota Tsusho will be doing business in 53 African countries.

Secondly, Toyota Tsusho was able to retain 15,000 employees. *Mr. Yokoi* was responsible for the negotiations of tying up with CFAO. Although the acquisition of CFAO is an acquisition of a company, it could be looked at it in another way as it was a company with 20 to 30 years of experience in Africa.

Thirdly, Toyota Tsusho was able to obtain a network of broad range of businesses, starting with automotive; Carrefour, which is a retail brand; and shopping malls.

To make the tie-up with CFAO a success, several points were heeded. Firstly, the focus was on the growth of CFAO than the growth of the acquirer, Toyota Tsusho. Post-acquisition, the business was deployed with this in mind. Human resources are an asset for a company and to prevent employee attrition, Toyota Tsusho respected the ownership and independence of CFAO to support the realization of CFAO's long-term strategy.

Secondly, communication between the top management of the two organizations once a month is important to gain a perspective on the way of thinking and to understand the people. When it comes to medium- to longer-term plans and strategies, once in 6 months face-to-face meetings and discussions are the norm.

By April this year, excluding new businesses, all of the businesses, including the existing businesses of Toyota Tsusho, are now focused in Paris, which is the headquarters for all of the businesses. With regards to new plans, on the Japanese side Toyota Tsusho coordinates with Paris to contemplate. Toyota Tsusho continues to uphold its concept of *With Africa and For Africa* with which it wants to grow deep roots in Africa and grow together with the continent.

Mr. Yokoyama summed up saying human resources and trying to develop a network in-house to supplement what is weak is very important.

He invited *Mr. Symerre* to give a broader perspective on NEPAD's role and contributions towards regional integration and what it intends to promote.

Symerre Grey-Johnson

Head, Regional Integration, Infrastructure and Trade
NEPAD Planning and Coordinating Agency

Mr. Symerre began with what NEPAD does and how it uses its platform to build partnerships in relation to regional integration, infrastructure and trade. Although NEPAD has been in existence for 15 years, it has been able to attract more partners over the past 3 years.

Company CEO Dr. Mayaki gave the keynote at the first ever financing summit on Africa's infrastructure in 2014 in Dakar. Sixteen mega trans-boundary projects were going to be taken to Dakar. The summit was going to be Africa-led and Africa-owned. The summit did not have any Japanese companies as it was new. At the end of it, the Dakar process identified and recalibrated the way business was being done at that time.

There were four major programs; science, technology and innovation; agriculture; program on youth and skills; and a program focusing on infrastructure. The 16 megaprojects were on energy, transport, ICT and water. Money was not a constraint but the problem was that most of these projects were not properly prepared, so there was a need to prepare better projects.

Secondly, there was no platform to engage private sector or look at trans-boundary mega projects as they cost millions and billions of dollars.

The African Union Technical Agency re-strategized their work to focus on coordinating, facilitating and working with the regional economic communities to push these projects. The first thing was to engage the private sector to help them understand what trans-boundary infrastructure projects meant and what opportunities for financing could be there for them.

Since it was not an easy task, the Continental Business Network was set up. A number of Japanese companies are a part of this platform. Two very supportive members, *Mr. White* and *Mr. Yofi Grant* are also part of this platform. The good news is that for the first time NEPAD put up a platform, which looks at trans-boundary projects.

Two years ago, the first project, which was the Sambangalou Hydropower Project in West Africa, dealt with four West African countries; Gambia, Senegal, Guinea, and Guinea-Bissau. At that time, it was said that if this project was properly put together, with the private sector involvement at its inception, could have identified opportunities on how to make it more capital intensive and attract private capital. But that project went through to become a public project funded by four countries.

NEPAD took each project at a time, using the CBN to engage private sector. Last year, NEPAD looked at Zambia, Tanzania and Kenya Transmission Line, which is an energy project. The Zambia component was put forward for financing. A number of private players were engaged, including some Japanese companies who participated in the meetings last year. Basically, NEPAD brings in private sector players into the project design, which is critical for trans-boundary infrastructure.

Another challenge that was identified was that there was not enough money to tackle the preparation of trans-boundary projects. When it comes to national-based projects, the World Bank and the African Development Bank fund projects like construction of road, toll-roads, rail expansion and even energy generation, but challenges are faced in preparing projects within the regional context that span over two or three territories.

There was a need to work closer with the *NEPAD Infrastructure Project Preparation Facility* or the *NEPAD IPPF*, housed at the African Development Bank. Prior to preparing the project, NEPAD needed to assist countries in conceptualizing the project, doing the diagnostics, and helping countries and project owners to apply for funds. This issue came out at the Dakar Financing Summit, wherein if the private sector was not participating in project design, NEPAD was unable to assist countries in preparing better projects.

Soft infrastructure was another challenge that was faced. In the past 2 years, NEPAD started looking at collaborating with JICA on the *One Stop Border Post*, which JICA prominently set up in Africa. NEPAD introduced an initiative called *Move Africa*, which came out of the World Economic Forum discussions. It looked at trade facilitation, just like US government's *Power Africa* and *Grow Africa*, which looks at the agriculture value chains.

This platform gets logistics companies to look the problems identified in trans-boundary or cross-border trade in the terms of movement of goods. NEPAD works closely with Japanese businesses and JICA to see how the new system called the *Traffic Light System* can be introduced which assesses a Border Post, based on the color codes of red, yellow or green, where red means challenge in terms of movement of goods, green means easy flowing and yellow means somewhat easy flowing.

NEPAD has been working on these areas in the past 2-3 years. NEPAD is creating these platforms to facilitate trans-boundary and cross-border trade to ensure Africa's integration. In the past 2-3 years, NEPAD has been engaging the private sector to look at the platforms and get their input at the inception stage of the project design to attract necessary investments for trans-boundary infrastructure that is being facilitated and coordinated with the regional economic communities.

Mr. Yokoyama invited *Mr. Kuppuswamy* to advice Japanese companies based on his experience of looking for a good business partner and partnering with foreign companies to conduct business in Africa.

S. Kuppuswamy

Member, The Confederation of Indian Industry Africa Committee, Advisor, Group Finance and Special Projects, Shapoorji Pallonji Group Companies

Mr. Kuppuswamy started with a story of his experience in Africa. His company constructed the Presidential Office of Ghana, which figures among the top 10 Presidential Offices in the world, less than a decade ago.

When the job was about to get completed, there was a regime change. The investors feared that the new party might completely scrap the project and make it a hospital or something on those lines. But when the African leaders saw that the company executing the project was good, and they saw the merits in the company's execution and the advantages of the project itself, they recognized it and continued with it.

This is what happened with Kuppuswamy's company. Their fears were ill-founded as the new administration not only moved into the Presidential Office but also asked them to build a railway network in Ghana. Thus, a company called the Afcons Infrastructure was formed to build $400 million *Tema-Akosombo Railway Project*. As the project was signed and the loan was concluded, there was yet again a regime change. The previous political party came back to power and there were fears that this project would be scrapped. The fears subsided when the new government asked the firm to explore possibilities of extending the railways further.

This happens when good companies have good practices, execute projects in style, conform to the required standards, and understand the nation's culture.

As they say in Japanese *Ame futte ji katamaru* or *as it rains, the ground solidifies and does not break up*. Good companies from India have a record of executing great projects. The Confederation of Indian Industry has been championing African business for the last 25 years. It is amazing to know that Toyota Tsusho has been doing this for more than 90 years.

CII plays a catalytic role in strengthening India-Africa business relations. It is linked to 75 counterpart organizations, in 37 African countries. Shapoorji Pallonji works in more than 24 of them.

CII works with the Government of India to promote Brand India with AAA Technology, Appropriate, Affordable and Adaptable. This is where Japanese and Indian companies can collaborate. India has an excellent locational advantage as it is sandwiched between Japan and Africa.

Although Indians are culturally closer to the Africans, Japan and India appreciate each other's cultures also. India and Japan can make excellent partners, as Japanese companies understand the way Indian companies collaborate and act, so India and Japan can collaborate to execute projects in Africa.

CII Africa organizes multilateral business forums. It is more south-south cooperation. Just like the TICAD, conclaves are held. There are 13 regional conclaves. Soon, the East Africa Business Conclave will be held in Kampala, in November 2017. Japanese are also invited to participate in it in large numbers.

This strong India-Africa connect can be exploited by the Japanese. India's support during the independence struggles, especially in South Africa, has created a lot of understanding, affection and mutual appreciation between India and Africa, which can be advantageous for Japanese companies wanting to do business in Africa, in collaboration with India.

Prime Minister Shinzo Abe announced $32 billion line of credit for Africa. Prime Minister Narendra Modi also announced $10 billion line of credit. This can make an excellent combination.

Today, India is the 5th largest investor in Africa. Indian companies have a significant presence. Plenty of new great projects have been executed successfully. The firm has built Gambia's National Assembly, which is considered the best building in West Africa today. The Presidential Office of Ghana is listed among the top 10 presidential offices in the world.

Another company, Jindal did the Chirodzi mine in Mozambique which is another exemplary project. In Madagascar, Afcons Infrastructure has done the Ambatovy Port Project for the nickel-cob mining, where Sumitomo Shoji is also part of that mining project.

The firm is able to withstand adversities, like the coup in Madagascar. The work did not stop for more than a day even when the entire nation was in a shambles for a month or so and everything came to a standstill. Indian companies are resilient and are able to absorb the shocks, as they are in a position to adapt and work in adverse circumstances. Bajaj, Airtel are all companies which have done a lot of work. The firm has built three ports in Mauritius and three in Liberia.

India's geography, historical connection, English-speaking employees, market and growth similarities between India and Africa are some of the few advantages. Both the countries have faced colonialism and therefore understand each other. Indian businesses, with their desire to expand overseas, have established their presence in resource-rich Africa with the support of Indian government for operations in Africa.

This will help both Japan and India to together exploit the opportunities that are there which would be a win-win situation for India, Japan as well as Africa. There is an imperative need to stop neo-imperialistic forces or people who are keen on exploiting the resources for their own advantage. This should be done to restore Africa's geopolitical balance.

This can best be achieved by being in a position to collaborate together to give Africans a robust infrastructure, generate employment opportunities, and impart education and skill development. India has been doing human service in this area. Certain countries go to Africa and let loose a deluge of funds, but they do not transfer technology or educate the labor force, whereas Indian companies successfully transfer technology and upgrade skills of the Africans.

Japan has a long-term need for mineral resources, which can be achieved through a win-win partnership of Japan and India, with Africa being a participant. JICA and Exim Bank of India can join together in a 70:30 or 60:40 ratio.

On the basis of the ground presence of the labor force that is available, Japanese companies could consider sharing their work in a 30:70 inverse proportion. Credit enhancement can be given.

These are a few of the several ways in which India and Japan can cooperate and bring out the best for all. It will be a strategic partnership for all with huge synergies and benefits of a long-term nature.

Mr. Yokoyama summed up by saying that countries could work with India to conduct business in Africa.

He invited *Mr. Negatu* to comment about the latest situation in Africa about M&A partnerships and FDIs?

Zemedeneh Negatu
Global Chairman, Fairfax Africa Fund

Mr. Negatu gave a macro perspective about how Fairfax Africa Fund, FFA, which is an American private equity firm, goes about doing business in Africa, specifically from an M&A perspective. Even though FFA is originally from Ethiopia, it does a lot of deals across the African continent.

There is a saying that Africa is not a country. There are 54 African countries, so the entry strategy, the deal strategies, and how to go about investing in Africa depends on the individual country, the region, and the sector. The United States' people approach Africa perceiving it to be just one big jumble. This perception is usually a disadvantage and not positive for Africa. Certainly, this is not the case in Japan as it is a very sophisticated and outward-looking country.

Interestingly, FFA as a private equity firm does a number of M&A deals. It has done a number of M&A deals in Ethiopia and a few other African countries.

Looking at Japan, over the last 5 years Japanese investment of outbound M&A was $350 billion which is a very large number. Last year alone, Japan did $100 billion cross-border M&A deals. This is a very large number for 1 year. In contrast, in 2016, Japan was amongst the top 10 investors in Africa in terms of foreign direct investments to the tune of $3.1 billion. If $100 billion was invested purely on M&A, it does not even include some of the Greenfield projects. The total spend was about 3% of the investment made in Africa.

Considering Africa's potential, it is dangerous to pretend that Africa is a country, but pretending that it was a country for a moment, Africa's total GDP on the Purchasing Power Parity, PPP basis, would be $6.4 trillion, which is a very large number. By that measure, Africa would be amongst the five largest economies of the world.

Keeping this in mind, why the Japanese investment is relatively small compared to the $6.4 trillion GDP size of Africa. Also, the large investments made by some of the other countries go down the cascade.

The opportunity is there for the Japanese. The Japanese investors can relate to the things drive Africa's growth like demographics, which for Japan is different than Africa's. Africa's demography reflects that it is a very large growing young population undergoing urbanization. The forecast, depending on the outlook, is either positive or worrisome. In a way it is positive as in the next 30 years, Africa's population will double from 1 to 2 billion which is a very powerful incentive for investors to look at in Africa.

In terms of investment, Japanese investors should look at M&A, Greenfield projects, and investments outbound which are practiced every day. In terms of the investments that FFA has done, FFA was looking for countries with high growth potential and large volumes. Ethiopia is the second most populous country in Africa with 100 million people. Nigeria has a larger population. For FFA, this was a no brainer. One of the investments that FFA made was in the area of fintech, mobile banking.

FFA invested in a company that in less than a year signed up a million subscribers, for people to use their mobile phones as payment systems. In Africa, 80%-90% Africans are do not bank in the traditional way. Japanese are very good at technology. FFA co-invests with others, like the European and the Middle Eastern investor group, in the manufacturing sector and in construction materials.

Looking at the urbanization trend, much of Africa is going to become urbanized in the next 15 to 20 years. The input that goes in the infrastructure and the construction sector will be one of the major attractions and FFA has invested in that.

The key message for the Japanese is that there is opportunity. There are risks as well, but they can be ring-fenced.

It was interesting to know how Toyota entered the market. *Mr. Negatu* was involved in a very large Japanese investment in Ethiopia. People who smoke cigarette know JTI very well. Japan Tobacco, through a JV by acquiring 40% of the National Tobacco Company in Ethiopia, made one of the largest Japanese investments in Africa last year. It was a $510 million deal. This shows that there are various ways of entering a market through M&A.

On the question of how to enter the market, it would be better to enter the African market through local partnerships. There are various reasons to look for local partners. Importantly, they know the culture, can better manage risks and as they get around they have a sense of what works and what does not work.

The challenge for Japanese companies like Toyota or other big Japanese companies is that they do not want to look for a local partner as they have the capital and the knowhow, but do not have the sense of the marketplace and so they miss the point.

In a lot of places in Africa, equity is becoming important to African government. Africans want to participate in the growth of their own economy, so just having direct investment owned by foreigners creates resentment. Joint ventures and partnerships should be considered to help build up suppliers. Success factor and profit margins will increase if suppliers are locals.

The bottom line is there is opportunity in Africa. They need to be segmented, if one thinks about manufacturing in particular. FFA has looked at it and re-segmented them into two buckets. First are the top four or five countries for manufacturing will be South Africa, Nigeria, Kenya and Ethiopia, and there is a good reason for that. On a tiered basis, one can go down on sector-specific basis like agro-industry and infrastructure.

It is a bit of a challenge to encourage a lot of Japanese infrastructure companies to come to Africa these days. The Japanese find the Tokyo Olympics 2020 very attractive and do not want to stay back in Africa, but if one looks at long term, beyond 2020, it would be prudent to invest in African. People do not want to come in today and invest in Africa as they are making good profits rebuilding sites like Fukushima and other places, but one needs to look beyond that and look at the infrastructure.

Additionally, it is in the best interest of Japanese to improve African infrastructure and again this is an area that FFA has invested in. It is important to keep in mind that even though the Chinese are building the roads, it is the Toyotas that are running on the roads. Even though the Chinese are building the airports, it is the Boeings and the Airbus that land at these airports. It is in the best interest of the Japanese to actively engage with Africa, for the likes of successful companies like Toyota to continue to sell.

In summary, the opportunities are there, partnership is the way to go, and firms like FFA are obviously looking for Japanese partners to collaborate in the sectors of infrastructure, manufacturing, agro-processing and others.

Tadashi Yokoyama summed up by saying that when it comes to Africa, the risks should not be overemphasized and with all the growth opportunities that resource-rich Africa provides, it is attracting a lot of FDI by Japanese firms and private sectors are setting up businesses.

By 2050, the population will double from 1.2 to 2 billion, and middle income will also increase. By 2050, Japanese companies will have to have a strong presence in Africa by making joint investments through partnership for them to be globally present business-wise.

With this, *Mr. Yokoyama* invited *Dr. Hirano* to comment on the importance of partnership. JETRO promotes investments and trade, but to promote partnership, what kind of cooperation and support can be provided and how would JETRO promote and help a third country or new types of partnerships.

Dr. Katsumi Hirano stated that JETRO was doing business matching by offering opportunities for companies to encounter each other. This is not just being done in Tokyo but also in Paris, Istanbul, Dubai, and in rural cities as well. Japanese companies themselves have operations overseas. JETRO does sessions in cities that already have its offices to do business matching with local businesses of those particular cities.

In Africa, Japanese companies do not big business projects all by themselves. It is always done through partnership. Japanese companies have a certain level of presence in Africa. It is not just Toyota. There are Japanese companies that have number 1 or 2 ranking in certain sectors, but the number of such Japanese companies with large presence in Africa is still very low. To increase the number of Japanese companies in Africa, they need to tap on their expertise that they have gained in Japan as well as in other countries for them to engage in profitable projects.

Since the socioeconomic environment is completely different from Japan or Asia, they need to draft a new business model for these projects to be profitable. They have to familiarize with the process of creating a new business model. The discovery of creativity within companies will place them at the next stage of globalization. This would evolve the corporate identity. If the corporate identity does not evolve, no Japanese company can truly become global in the true sense of the word. That is another area where JETRO can help.

The best means to do that is to look around the globe and not just in Africa. Although surprising and shocking, there are certain successful business models. These business model cases can be shared with Japanese businesses. From such perspective, Africa is a treasure trove of such innovative business models. At one point in time, the BOP business model became quite popular in Japan. JICA also promoted BOP business.

Back then, BOP business meant volume business in the future because of the rising middle class. Unfortunately, the human society consists of poor people as well who is always the overwhelming majority. The truth is that in the past decade the poor people that form the bottom of the pyramid, is increasing. This huge bottom of the pyramid market is a potential customer, a huge potential business opportunity. This is what BOP business is about. Only Ajinomoto are engaged in BOP business in Africa as of now, but it is a great source of revenue and profit.

One example is the Standard Bank, which is the biggest private sector company in Africa. South African banks are all engaged in BOP business, no exception whatsoever, but this kind of mindset does not exist in Japanese financial institutions. Although the standard business model of financial institutions exists in other countries, there is no business model in Japan that offers bank accounts with less profitability to the poor people.

If Japanese financial institutions and businesses learn such business models, they will be able to capture more business opportunities in Africa. By using resources such as the Developing Economy Research Institute, within JETRO, stronger pathways can be made into Asia. They can also be introduced to companies of other countries that are already successful in Africa to enhance more partnerships.

Tadashi Yokoyama asked *Mr. Yokoi* if there was any difference in the strategy of Toyota Tsusho making partnership in Africa and partnership in Asia, and what was the background for that.

Yasuhiko Yokoi stated that in terms of partnerships, companies that want to do business overseas need to look for a partner with knowledge about the market and personal or physical network in that area. If the company that wants to make forays does not have this, they have to look for a partner that is common to all locations and not only Africa. Asia and Africa are appropriate, as they are in stark contrast to each other. In Asia, businesses have been going on even before the war. Japanese businesses are knowledgeable about Asia.

Such companies are being developed in Asia. It is possible for the Japanese companies to cultivate business on their own or team up with Asian companies to expand their business. When one thinks about business in Africa, the largest issue is that they are far away from Japan and there is very little history between them. There is no knowledge of and physical or personal network that exists in Africa.

Local entities, either French or Indian companies, with these strengths need to be looked for as there are opportunities for all these companies. In Central and Western Africa, Toyota Tsusho has chosen a French company as a partner. In the Southeast, Indian or certain Asian companies have a very strong presence there, and they may be appropriate partners.

Another specific example is Toyota Tsusho is collaborating with Yamano in Nigeria to do a CKD manufacturing of motorcycles. This is mostly cheaply manufactured in India and is then sold in Nigeria. This is one possible format.

Tadashi Yokoyama asked *Mr. Grey-Johnson* to share NEPAD's viewpoint on any implications that existed at the level of regional integration to establish partnership.

Symerre Grey-Johnson stated that NEPAD looks at the regional dimension and how and what NEPAD does impacts and brings together much more integration. If one looks at the four factors of production in basic economics, and then looks at the continent in terms of land, Africa has it in abundance.

But if one looks at it in terms of security, there are less than five countries that are affected in terms of their capital cities being unstable and going through a period of insecurity, while in the past 12 months capital cities in other parts of the world and continents have been affected with all sorts of security threats. This is based on the news in the media.

In terms of labor, Africa has abundant growing, excited, youthful population capable and innovative enough to transform the African economy globally. In terms of entrepreneurship, there is so much innovation in the area of finance and mobile banking, like M-Pesa and so on.

Finally, in order to attract capital to integrate economies, Japanese companies should leverage their ongoing relationships in the Southern Africa region by working in partnerships.

The 230 Japanese companies that exist in South Africa need to be leveraged and expanded into the SADC area. The East African community is one of the most regionally integrated economic communities in Africa. It has been learned that India is doing a lot more work in this area, and the Japanese companies need to leverage this by working with the Indian businesses to move from Kenya, to Uganda and to other regions.

West Africa is another region that is doing well in terms of trans-boundary trade and trade facilitation. The Japanese companies that are working on the continent need to look at partnerships with the ASEAN countries and India to leverage and work within the African region by scaling up and encouraging infant industries and bringing more entrepreneurship into the business mix.

Tadashi Yokoyama asked *Mr. Kuppuswamy* if India and Japan are going to have a partnership, what sectors would it be and what sectors in the African region would be recommended.

Mr. Kuppuswamy stated that a robust infrastructure is a sign of Africa's development. Estimates suggest that on an annual basis around $93-$100 billion per year will be required. Out of this, even half has not been given. One of the areas where Japan and India can collaborate for Africa's development and an area that scales up to Japan's liking is infrastructure development which could lead to the sovereigns or promotion of public private partnership projects. This one area is strongly recommended.

In this regard, Indian companies have a good record as they have already executed projects with Japanese in India and elsewhere, like the metro projects of Delhi Metro, Chennai Metro, and Kolkata Metro. These are all projects where JICA funding exists and Indian companies have performed exemplarily. This is another area that can be strongly recommended.

Another area is housing where development has to be there. Healthcare, within budget hospitals, is an area where Indian companies in general have made strides. They will be in a position to take budget hospitals and healthcare services to Africa at an apex, regional as well as the district level.

Pharma is another sector where collaboration can be done. Automotive is an area where India and Japan have collaborated in the past and it will be possible to mutually support each other in this sector in Africa as well. India has collaborative strengths rather than competing strengths. Japan is an acknowledged leader in technology which is well-accepted worldwide. India can supply the manpower, labor force, and adaptable technologies. These sectors will make a winning combination for this kind of collaboration.

Tadashi Yokoyama asked *Mr. Negatu* about the dos and don'ts in looking for a JV partner? What are the risks and how should they be mitigated or controlled?

Zemedeneh Negatu stated that FFA looked for credible people and organizations. FFA does the due diligence on who is who. Although it sounds very basic, it is important. The partner that that one gets into with into partnership with should share the same value systems. There should be an alignment of where the partnership needs to be taken because a lot of partnerships do not work because of misalignment.

If it is a multinational, the first thing to look at is what the partnership brings to the table. The typical thinking is that if it is an African company or partner, they might be small and the multinational can do it themselves. It is a mistake not to include local partners. They may not bring billions of yens or dollars, but they have something intangible.

Secondly, equity is becoming a buzzword in Africa, but beyond the buzzword, the Africans are saying that the continent is growing and so it cannot just be foreigners coming in and benefiting from Africa's growth. When someone goes to a country, they become a part of the community and they want the community to grow and appreciate it. If one is in the fast-moving consumer goods business with investments in a number of businesses, the people who buy the consumer goods products feel that they have equity in the product.

A partnership is multidimensional and not one-dimensional, like in the United States where a guy, who has the money and knowledge, will do the business, but in the developing countries, especially in emerging Africa, it is very important to include partnership. Africa is changing, so the reality of change also needs to be reflected in how these investors can go about doing their business in Africa.

One final word of caution is that Africa is not for asset flippers, meaning that one cannot come in today to exit tomorrow. Africa is a long-term strategic investment. If one does that, they will do very well.

Tadashi Yokoyama summed up by saying that in making partnerships, people must meet each other to see if they can create the same chemistry. It is important to conform.

He stated that although a good discussion took place with the participation of the panelists, a major function of this forum was happening through B2B meetings and business matchings. Talking with each other is important to help find a good partner. JETRO is also doing that.

Another point that was discussed was the third country partnerships, which do not mean that one should partner only with third countries and not with the local partners. Although the purpose is to find a good local partner, it is important to find a local partner, having B2B business matchings, with people from Africa coming to meet the Japanese people.

Mr. Yokoyama concluded the session by thanking all the members of panel for their valuable contributions.