Imperialist Capital Investments in Africa: The Japanese Model*

*J. Owoeye***

Introduction

Japan's foreign economic policy has been characterized by neo–mercantilist trade practices which have been very profitable for Japan at the expense of its trade partners who continue to record acute deficits in their trade with it. A quiet but ongoing and dynamic aspect of this policy which is often overlooked by its analysts is the significance, for Japanese export prowess, of the trade inducing role which direct capital investments, coupled with the activities of the *Sogoshosha* (Japan's, general trading companies with an extensive world wide network and renowned for their expertise in off–shore business), play in deepening the exploitative character of Japan's commercial exchange with other countries including those in Africa. This important but often neglected corollary to Japanese trade imperialism is the focus of attention in this paper.

Japanese investment policy

Investment links between Japan and Africa, just like most of the trade existing between the two sides are in a one – way direction, the largely pre–industrial economies in Africa being the destination of a considerable percentage of foreign capital investments exported abroad by the industrially advanced Japanese state. It is to be expected that the obvious rationale behind Japan's investment interests in Africa is the maximization of economic gains that would accrue to it in its commercial relations with countries in that region. This argument is sustained by the principal of comparative advantage – as expounded by scholars like Kiyoshi Kojima – which links foreign capital investments to success in international trade.[1] In accordance with this theory, Japan is undertaking investments in industries which are comparatively disadvantage in Japan but have the potential of becoming profitable if established in Africa where the host states possess comparative advantages serving as production bases for such commodities, but lack the required capital and technology. Such comparative advantages would derive from factors like abundant supply of raw materials and low cost labour.

The transfer of investment capital from Japan to Africa and elsewhere is in accordance with the policy guidelines of the government of Japan relating to the regulation of the nation's foreign exchange. Transfer of capital investments overseas was restricted during the period of post–war reconstruction. At that time, foreign exchange was strictly controlled for the purpose of saving foreign currency. Even after the revival of Japan's post war economy, in the late fifties, the country's balance of payment problem still lingered into the sixties: the now familiar export boom was yet to begin. This situation made a continued tight reign of foreign exchange inevitable. As a result, export of investment capital was restricted to activities involving

*Lecturer in International Relations at the University of Ife, Nigeria.

resource developement or export generating manufactures. The export generating or trade–oriented manufacturing enterprises were set up overseas to generate foreign earnings. However, the expansion of investments in this sector was impeded by state imposed foreign exchange controls, as mentioned earlier on. Besides, capital investment for manufacturing was for many years deterred by a traditional Japanese reluctance to export technology to foreign countries. Indeed, before World War II, Japan seldom exported technical know–how even to its own colonies in Asia. Accordingly, Japanese manufacturing investments were initially done in the form of used machinery and equipments transferred from factories in Japan.[2]

Change to foreign Capital Investments.

The mid 1960s, foreign capital investment in manufacturing began to play an increasingly important role in the overall Japanese foreign economic strategy. This change in emphasis was influenced by certain transformations within Japan itself as well as in the international economy.

First, when Japanese manufacturing industries began to pursue aggressive strategies of expansion in export markets, they displayed remarkable ability indoing so. And, as their export prowess began to a mount, the balance of trade and payment position of Japan improved. Not only that, it showed promise of further improvements. This situation resulted, at first, in a relaxation and later in an even more substantial liberalization of foreign exchange controls. It must be pointed out, however. that the liberalization was in part a result of the internationalization of Japan's economy beginning from April, 1964, when it changed to IMF article 8 status and joined the Organisation for Economic Development and Cooperation (OECD). It is largely as a result of the latter factor that Japan had to extend liberalization, not only to current transactions but also to capital transactions.[3] With these developments, the overseas thrust of Japanese capital investments which had earlier on been slow began to gain increased momentum.

Second, as the sixties progressed, Japan's mounting trade surpluses began to attract attention in countries which had incurred large deficits in their trade with Japan. Partly as a way of bridging this trade gap or offering protection to their own home products, these countries began to impose threats to or actual restrictions on Japanese exports. This was particularly so in the Third World countries where economic nationalism as expressed in strategies for import substitution industries (ISI) had started to gain increased militancy. Since a substantial proportion of Japanese goods were marketed in these areas, there was a surge of interest, particularly on the part of Japanese textile, automobile and electronic industries, in establishing plants in such important markets as a way of by passing tariff and non–tariff barriers to the tidal wave of Japanese exports. This devlopment, it seems, foreshadows the erection of a Japanese model of the Trojan horse inside the protective trade walls of these countries wishing to implement autarkic policies that might be restrictive of imports from Japan.

Third, the early 1970s was noted for the various 'shocks' experienced by the Japanese in their external relations. This began with the 'Nixon shock' of 1971 – when Washington unilaterally opened up relations with Peking without consulting Tokyo, its strongest ally in that region. This was followed by the 'oil shock' of 1973 – when the Arabs introduced the oil weapon by cutting off supplies to the Western

countries including Japan whose Middle East policy was keyed to that of the United States as a supporter of Israel. The consequent oil crisis took place at a time when Japan depended on US. based oil majors for the supply of its petroleum. The significance of the various shocks was that they fostered Japanese nationalism which, translated into economic terms, meant autonomous resource development and diversification of external sources of supply without over–reliance on American oil companies or modeling foreign policy after that of the Pentagon. Consequently, the Japanese became more cognisant of the need to extend capital investments to the resource development sector and was granted privileged access to foreign exchange.[4]

It is pertinent to note that there has been close coöperation between big business interests and the State in the drive to develop overseas sources of raw materials. An indication of this development is the operation of various State financed investment guarantee projects which were actually mooted by private business bodies. On 15 May 1970, for instance, the government of Japan established an insurance scheme for investments made by Japanese business interests overseas. This arrangement guaranteed to cover up to 90 percent of losses from foreign political or credit troubles or other losses peculiar to foreign investments in developing countries. In the 1972 fiscal year 350 billion ($ 1,136 million) was set aside for that fund.[5] In other words, the State itself provided a cast iron guarantee to any private interests wishing to invest in sectors of national interest abroad.

Fourth, the United States has been exerting pressure on Japan to take a greater share of the self imposed burden of the western capitalist bloc with regard to the transfer of investment capital from the centres of capitalism (OECD) to its peripheries in the Third World. This is with a view to ensuring 'global harmony' and protecting capitalism. Along this line, there has been a close cooperation between Japanese and US policy in the drive to promote the expansion as well as the safety of imperialist capital which was being endangered by threats of expropriation and increased economic nationalism in the IDCs. In 1971, for example, Tokyo hosted a UN sponsored conference which deliberated on the capital investments of advanced capitalist countries in the LDCs. During the course of the conference, Japan's role in the relatively integrated exploitation of the Third World was a major topic. In his contributions at the conference the US representative, Mr. William Rogers, advocated what he called 'a multilateral approach to insure capitalist investments throughout the World'. Both Japan and the US agreed that it would be desirable to establish a mammoth worldwide investment insurance body under the auspices of the World Bank.[6]

Apart from external pressures, domestic factors also gave impetus to the overseas thrusts of Japanese industrial enterprises which began to see the need for establishing affiliates in developing countries like those in Africa. In 1967, for instance, the Economic and Social Development Plan called for comprehensive improvement in housing, environmental facilities, transportaiton and the development of new energy sources. More importantly, the scheme for reorganization of industrial structures which was proposed by the Industrial Structure Council in 1971 envisioned a gradual de–emphasizing, if not replacing, of resource and energy–intensive and polution prone heavy and chemical industries with:

(a) technology–intensive and energy–economizing industries that would involve final value added processing and

(b) knowledge–intensive industries like computers and communications.[7]

In other words, the transfer of labour and energy intensive industries as well as pollution prone industries to foreign affiliates became increasingly attractive. Moreover, as expansion in Japanese industries advanced to keep pace with export offensives, a point was reached at which the rising cost of domestic production at home made the alternative of manufacturing overseas appear more economical. This was particularly so in the labour–intensive manufactures such as textiles. In fact, as the economic growth in Japan became higher year by year relative to capital and as new products – usually more capital intensive and knowledge intensive than traditional goods – were created one after the other, it became profitable and rational for Japan to contract its own traditional labour–intensive industries and transfer the location of production to low wage areas such as Africa where cheaper labour costs prevail. And since wage rates in Africa are low, about a third or a quarter of that in Japan, Japanese capital, technology and management skills would be able to produce, for example, textiles at less cost than it would have done in Japan. Thus, by shifting labour intensive operations to foreign affiliates, the Japanese industry was able to counter the effect of rising wage–scales, thereby promoting marginal industries to preserve their comparative advantage in both home and foreign markets.[8]

Apart from textiles, production involving large–scale assemblage of several parts are also labour intensive. This accounts for the transfer of the assembly process of some Japanese electronics and automobile firms to Africa. Sanyo Electric, for example, operates asembly plants in Ghana, Nigeria and Kenya. Kenya also hosts the Nihon K.J. Company – a Japanese car component manufacturer. Further, Tanzania hosts the 45th Overseas assembly Plant of Matsushita Electric Corporation. Operating under its brand name of National, Matsushita also have a battery/radio assembly plant in Tanzania. This Osaka based electronic giant operates its second production base in Africa in Lagos where it established Panasonic Nigeria Limited, jointly with two affiliates of Unilever NV of the Netherlands. With a capital of N5 million, Matsushita has a 40% stake in this joint venture. The company also contemplates an N8.8 million colour TV assembly plant in Ogum State of Nigeria. According to a Matsushita spokesman, the monthly production volume will be limited to 1,000 sets in the initial stage but will be expanded in three years. to 3,000. If the colour TV assembly goes smoothly, the Nigerian plant will produce electric fans too. At present, Matsushita sells 200,000 fans a year in Nigeria under National and KDK brands. About half of this volume would be met by the Nigerian plant.[9]

Furthermore, the latest moves by Matsushita in Nigeria involve yet another assembly plant to be operated jointly by Yuasa, Japan's largest storage bettery maker, and the local Leventis Motors. Scheduled to begin operation in 1985, this venture contemplates an annual turn out of 420,000 motorcycles and 30,000 automobile batteries. The batteries will mainly be supplied to the proposed Leventis–Honda joint car and motorcycle plant.[10]

In line with the foregoing, Japanese investments in Africa could be classified into: (1) natural resource–oriented investments and (2) trade oriented manufacturing investments. With respect to the first category, Japan seems to be interested in investing in the extractive sector – particularly mining – in which it is comparatively disadvantaged. Since extractive activities face enormous problems in Japan,[11] Japanese capital, technology, managerial and marketing skills are shifted to centres

established in Africa where mineral, forest and marine resources exist in abundance. The output of such overseas affiliates is then shipped to serve Japanese industrial and domestic needs or sold for profits elsewhere by the *Shogoshosa.*

Magnitude, Character and recent trends

In terms of magnitude, the extractive sector has been the main focus of Japanese capital investments in Africa. It must be pointed out, however, that this sector has started to decline in recent years. For example, 63.4 percent of Japanese African capital investment were put into this sector between 1951 and 1971. However, by 1977, Japan's cumulative investment in this sector was barely half of its total investments in Africa. By 1981, the share of this sector had declined further to 32.6 percent.

Unlike the situation in the mining sector before the recent decline, Japan's participation in Africa's manufacturing sector has been less significant. The share of this sector in Japan's total investment in Africa has also dwindled, from 26.8 percent (1951 – 1971 cumulative figure) to 12.0 percent (1951 – 1975) and further to 6.6 percent (1951–1981). On the other hand, the service–commerce sector in Africa has attracted more attention from Japanese investors, notably in the mid 1970s onwards (its share rose to 35.8 percent in 1951 – 1977 cumulative terms).[12]

Moreover, Japanese investors seem to be restricting their interest to fewer countries, namely Liberia – where investment is concentrated in shipping registered pre–dominantly under the Liberian flag, Zaire which is dominated by Japan's mining interests and Nigeria where Japanese investments in the manufacturing sector looms large. In 1972, these three countries accounted for 54.0 percent of Japanese overses capital investments. This share increased to 68 percent in 1976 and further to 81.5 percent in 1980.[13]

On the whole, the trend in the cumulative investment figures shows that Japan's direct investment in Africa experienced a steady rise between 1951 and 1970 when Japan invested $92.4million in the continent. By 1973, this amount increased to $252.0million and reached a peak of $279.9million in 1976. Since then, however, the figure has declined steadily and had nearly halved by 1980 when it stood at $139million.

Moreover, Africa's share in Japan's total overseas investment has stagnated throughout the last decade. While it has 2.5 percent between 1951 and 1971, it reached 3.1 percent by 1975 and 4.0 percent in 1980.[14] However, in fiscal year 1982, Japan's direct investment by regional statistics reveal that the level of investments in North America increased by 15.9 percent over the previous year to $2.905 million (with investments in the US rising by 16.3 percent to $2.738 million) and that the level in Europe, Central America and the Middle East rose to $876 million (an increase fo 9.8 percent), $1,503 million (27.3. percent increase) and $124 million (29.2 percent increase) respectively. By contrast, Japan's investment declined in Oceania by 0.7 percent over the previous year to $421 million and in Africa by 14.7 percent to $48 million.[15] Thus, while the share of other regions has increased, that of Africa and Oceania has diminished. Similarly, regional comparison of the cumulative total of Japan's direct overseas investment between 1951 and 1982 which stood at $53,131 million indicates that Africa's share trails behind that of other regions. North America accounted for 28.7 percent of the total ($15,225 million). Asia 27.4%

($14,552 million), Central America 16.7 percent ($8.852 million), Europe 11.1 percent, ($6,146 million), Oceania 6.3 percent, ($3,370 million, Africa 4.7 percent ($2,507 million) and the Middle East 4.7 percent ($2,279 million).[16]

Conclusion

These trends seem to indicate Japan's lack of interest in Africa's industrial development and this reflects the pattern of 'hard–boiled' economic determinism underlying Japanese foreign policy. For the same reason, the commercial and the service sector now accounts for the bulk of Japan's investments in Africa. Japan's interest in Africa's manufacturing sector does not go beyond seeking comparative cost advantages. And while the extractive sector remains a focal point, because of strategic necessity, Japanese participation was seen to be dependent on factors such as immediate profitable returns and the prevalent world market prices of raw materials. It is also important to note that, in the regional comparison made above, an advanced country like the United states stood out conspicously among recipients of Japan's foreign investment capital. This is a further indication that Japanese capital simply moves to where the profit is rather than promoting economic and technological developement in developing countries like those in Africa.

It is also pertinent to point out that, being a low–wage area, Africa attracts traditional labour–intensive industries which are well standardized as well as new product lines which utilize the cheap labour that is available in the region. However, such investments contribute very little to the long–term industrial development of the host states. First, transfer of technology is at a minimum since the production processes based in Africa have usually been labour–intensive and, therefore of a low technology type. Such operations have been designed to handle downstream production. The technology involved has been of the turn–key type whereby Japan sends to Africa plant design, contruction and maintenance personnel. This arrangement hinders transfer of technology from Japan to Africa. Besides, it is also disadvantageous to the host African countries in that it hinders indigenous technology development.

Finally, Japanese investment capital has little functionality to the strategy of import substitution industries (ISI) in Africa. It must be pointed out that Japanese manufacturers aim at establishing an export base first and foremost, rather than at providing for import – substitution in host countries. This is where the *Sogoshosha* comes in as a bridge between Japanese production in these 'enclave' industries and the global market. Therefore, the conclusion could be made that, apart from playing important strategic roles within Japan's domestic and foreign economic policy objectives, Japanese capital investments in Africa have very little to offer towards fostering genuine interdependence between Japan and Africa. On the same note, the consequences of the unequal commercial exchange between Japanese and African economies are that their exploitative linkage further deepened, a situation which is beneficial to Japan but detrimental to Africa's interest.

FOOTNOTES

1. See Kiyoshi Nakamua, *Japan and a New World Economic Order,* Tokyo. Tutle Co., 1977, pp. 76–88.
2. M.Y. Yoshino, "The *Multinational Spread of Japanese Investment since World War II",* *Business History Review* XLVIII, No 3, Autumn 1974.
3. Japan External Trade Organisation, *A History of Japan's Post War Economic Policy,* Tokyo, 1983, pp. 1–8.
4. See *Financial Times,* London, 21 July 1980.
5. Jon Halliday and Gavan McCormack, *Japanese Imperialism Today,* New York, *Monthly Review Press,* 1973, p. 217.
6. Halliday and McCormack, op. cit., p. 219.
7. Shim, Sang–June, Japan and Latin America: A Changing Relationship. Unpublished Ph.D Thesis, Rutgers, 1978, p. 126.
8. Kiyosh Nakumura, op. cit., pp. 76–88.
9. *Nigeria–Japan Economic Newsletter,* August, 1983, p. 2.
10. Ibid.
11. These problems are analysed in detail in Jide Owoeye, *"Africa and Japan's Search for Resource Security",* African Spectrum, 1984.
12. *West Africa,* London, 28 October 1983, p. 2755.
13. Ibid.
14. Id., pp. 2754–5.
15. Id., pp. 2754–6.
16. Ibid., and *Africa–Japan Economic Newsletter* August, 1983, p. 4.

African Socialist Ideologies and the IMF Policies for Economic Development: the Case of Zambia*

*Nsolo N.J. Mijere***

Several times before, I have declared in very clear terms that political independence without matching economic independence is meaningless. It is economic independence that brings in its wake social, cultural and scientific progress of man (sic). No doubt political independence is the key, but only the key to the house we must build.[1]

Introduction

In the 1960s many African countries struggled to achieve political indpendence. At independence, the African nationalist leaders were faced with a crucial question of identity for the new independent African societies. They had three alternatives: to structure the new societies following the Western capitalist system bequeathed to them by their colonial masters, to pattern the new–born nations according to the European socialist structures and, lastly, to restructure the modern African nations after African traditional ways of life. Filled with nationalist zeal and the desire to create authentic and non–aligned societies, many African politicians decided to look into African cultures for guidance in shaping modern African societies. Thus in the past 20 years of political independence, some nationalist leaders have attempted to reorganize modern societies after traditional ways of life which they called *African Socialism.*

In establishing African socialism, the new rules had to struggle against capitalist structures of dominance, planted during the 60 years of colonial rule. The underlying structure of dominance was that of economic dependence established by past imperialism and present international capitalism. This economic dependence was legitimized by colonial governments. The colonial rules oriented peasant political economies towards capitalist economies, granting privileges to white settlers, the industrialists and the white workers, thus creating unequal social structures.

By the time political independence, certain capitalist economic structures were fully established. The structures of dominance were characterized by three types of surplus distribution.

1. the export of profits and investment income to industrialized countries;

---

* Paper presented at the International Conference on the 20th Anniversary of the Arusha Declaration, Dec. 1986, Arusha, Tanzania.

** Social Development Studies, University of Zambia