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## Brazil and the emergence of Africa: trade and trade policy\*

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From 1995 until 2008 the integration of Africa to international economy through trade flows deepened rapidly. The total exports of the continent grew five-fold, increasing the continent's participation in world exports for the period and contributing to almost double the relation between regional export and GDP. That growth is attributable, in good measure, to the increase in the prices of *commodities*, which strongly benefited oil exporting countries in the continent, and to the growing demand of emerging countries, especially China and Africa itself.

Both in export and import, the accelerated growth of trade flows occurred in association with the displacement of traditional trade partners of the African countries. The European Union and the US lost relevance and large emerging economies, besides the countries of the African continent, gained ground in African trade.

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Among the emerging countries, it is worth highlighting the position reached by China. In 2007/2009, China became the destination of more than 8% of exports and the origin of 11% of African imports, as a result of the performance of bilateral flows during the first decade of the century. Brazil and India have much smaller shares of the African trade.

The three emerging countries (Brazil, India and China) have their imports from Africa strongly concentrated in oil, each of them complementing their purchases in Africa with different mineral products (fertilizers for Brazil, ores for China and precious stones and metals for India). The export patterns of these three countries for Africa are a lot more diversified, in terms of sector, but are very different. Brazilian exports register strong participation of manufactured goods based on agricultural basic products, Chinese exports are based on machinery and electrical and mechanical equipment and Indian exports are concentrated on fuels, electro-electronic equipment and pharmaceutical products.

While Africa deepened its integration with the international economy, Brazil conducted, during the two Lula Governments (2002 – 2010), a diplomatic shift towards that continent, in which political, economic and technical cooperation-driven initiatives played a relevant role.

Brazilian motivations for that shift are manifold and find shelter in the foreign policy rhetoric of the Lula Government. The renewed emphasis on South-South cooperation as a priority vector of Brazil's international insertion and political affirmation in the global stage as well as the promotion of Brazilian economic and business sectors' interests were among the motivations most frequently made explicit by the key political figures in Brazil, starting with the President. More recently, the need to reinforce Brazilian economic presence in a continent where

Chinese presence grew rapidly came up as an additional *rationale* for the performance of Brazilian diplomacy in Africa.

It is not clear how much those initiatives contributed to the strong growth of bilateral trade in the last years. Without being able to prove the hypothesis, one can argue that the concentration of Brazilian investments in Africa in construction services and infrastructure engineering, as well as the fact that Brazil almost only imports oil from Africa, make the bilateral economic flow sensitive to political (intergovernmental) decisions and initiatives.

In that sense, maybe it is not just due to economic factors that Libya and Equatorial Guinea, countries to which the Lula government became closer diplomatically, appear in 2008/2010, but not in 2000/2002, among the ten greatest African exporters to Brazil, or that Brazilian engineering companies clinched important contracts in countries privileged by Brazilian diplomacy.

Public financing mechanisms for the export of goods and services have been the key instrument of trade policy employed by Brazil in its relations with Africa these past years. However, despite the Brazilian diplomatic shift towards Africa in Lula Governments, the results of these initiatives were very modest, when it comes to the integration of Africa to trade policy instruments handled by Brazil. Only in the case of exports to Angola financed by BNDES one can say that Africa gained some relevance in Brazilian trade policy.

Also in the case of negotiated trade policy were the results modest. A fixed preference tariff agreement with SACU and a free trade agreement with Egypt – both still not in force – were the results in this policy area of the rapprochement between Brazil and Africa.

The low ambition revealed by the agreement with SACU and the internal difficulties in Brazil to implement the *duty free quota free* system for the benefit of least developed countries suggest that there are, among Brazilian business sectors, concerns and stances that restrict the possibility of wider trade agreements or relevant unilateral concessions involving Brazil on one side and African countries on the other.

While one can question the reach of the economic outputs generated by the Brazilian diplomatic shift towards Africa, it is clear that the pattern of bilateral trade flows – strongly concentrated in a few countries and products (in that case, especially on the side of African exports) – changed only marginally this last decade.

In fact, Brazil's trade with Africa is very geographically concentrated. In 2008/2010, the three main destination markets accounted for 48% of Brazilian exports, the five first accounted for 68% and the ten first accounted for 85%. Brazilian exports were largely directed toward a few countries in West Africa, North Africa and South Africa. These same regions stand out for their weight in Brazilian imports from Africa. In this case, Brazil's main

partner is the Western Region, which supplies oil, especially from Nigeria and Angola.

In terms of sector composition of exports, the most remarkable feature is the weight of agricultural and cattle manufactured products in Brazil's exports to Africa – which explains the importance of manufactured products in these exports and differentiates Brazil's bilateral export structure from the global one. Sugar, meat, grains and vegetal and animal fats and oils account for about 44% of bilateral exports of Brazil in 2008/2010. There are other three products that are typically manufactured (chapters 84, 85 and 87) which accounted, in both three-year periods, for about 18% of exports to Africa. On the import side, the specificity of the composition of the bilateral trade *vis à vis* total external purchases by Brazil is essentially attributable to the extremely high (85% in 2008/2010) participation of oil in Brazilian imports from Africa.

Therefore, when it comes to trade flows, the continuity in the qualitative patterns of bilateral trade have prevailed and, to a certain point, this pattern was even deepened, in relation to Brazilian imports from Africa.