

## #DIPLOMACY

# Commercial Diplomacy: The Brazilian Path to the African Market

### **Why should we look for the African market?**

The structural conditions that give Africa a spotlight in international markets, such as its huge and young population, with 1.4 billion people and an average age of 20 years, are more than evident. The elements that approximate Brazil to the African continent, historically, geographically and culturally, similarly, are buzzwords in Brazilian foreign policy. Why, then, do Brazil and Africa remain so far apart in practice, and why can a rapprochement be mutually beneficial?

In the global context, with the Belt and Road Initiative (BRI), promoted by China as a way to connect European, African, and Asian markets into a single infrastructure network by land, sea, and air, it is imperative that Brazil can also see infrastructure as a vector for rapprochement. As the global economic axis shifts from the Atlantic to the Pacific, consolidating a trend that has been in place for almost two decades, Brazil runs the risk of being left behind in international trade. Indirectly, however, the BRI brings benefits to Brazilian trade, as the country can take advantage of new ports, roads, and infrastructure corridors to move its products faster and more cheaply through the African market, especially on

the Indian Coast, where Brazil's presence is weakly felt. Infrastructure projects in Kenya, Tanzania and Mozambique, such as the Nairobi-Mombasa Railway, could expand exports from East Africa by \$192 million per year, if fully exploited<sup>1</sup>.

Domestically, in Brazil, little is said about the conclusion of the African Continental Free Trade Agreement (AfCFTA), which encompasses the continent's 54 countries and forms a US\$2.5 trillion single market. It is estimated that the AfCFTA, which turns 90 percent of traded goods tariff-free, and plans to move towards non-tariff issues and investment facilitation in the near future, will boost the continent's consumption volume to \$6.7 trillion by 2030<sup>2</sup>. This arrangement will further fuel the economic growth of countries like Rwanda, Ethiopia, Benin, Ghana, and Ivory Coast, whose economies will expand by more than 6% in 2019 (triple the world average of 2.3%)<sup>3</sup> and have gradually become more complex and sophisticated, entering sectors of biotechnology, semiconductors, microchips, robotics, and electrical and electronics, among others.

1. Mukwaya e Mold, 2018. "Modelling the economic impact of the China Belt and Road Initiative on East Africa" GTAP 21st Annual Conference on Global Economic Analysis.

3. World Bank, 2020.

4. Ibid.

Even less is said about how Brazil and Africa have similar economies, and how Brazilian and African value chains have the potential to be integrated. The AfCFTA provides access to cheaper inputs and services and will boost modern agribusiness and industrialization on the African continent: imports of higher value-added products, such as machinery and its components for agribusiness and manufacturing - in which Brazil has a competitive advantage - will likely follow the trend of generalized growth. In Africa, some of the most important markets in terms of import value, which can show Brazilian business people latent opportunities for engagement as suppliers and investors, are found in machines (US\$64 billion), electronics (US\$45 billion), vehicles (US\$44 billion), plastics (US\$21 billion) and cereals (US\$22 billion) .

In retrospect, the Brazilian national business community, pulled by developmental and autonomist foreign policies, was gradually introduced to the huge African market, first with the CPLP and big players like South Africa, Nigeria and Egypt, in the 1980s, and only recently moving towards the small Anglophone and Francophone markets, in the 2000s. The result, in concrete terms, was the conclusion of trade agreements with Egypt and the Southern African Customs Union, the design of an infrastructural integration with submarine cables in the South Atlantic, the creation of high-flow air and sea routes, the installation of offices and units of Brazilian multinationals such as Petrobras, Vale, Embrapa, Marcopolo, and Odebrecht, and a bilateral trade that reached a historic high of US\$28.5 billion in 2013<sup>4</sup> .

Nonetheless, in the last three decades, some fundamental pillars for long-term sustainable

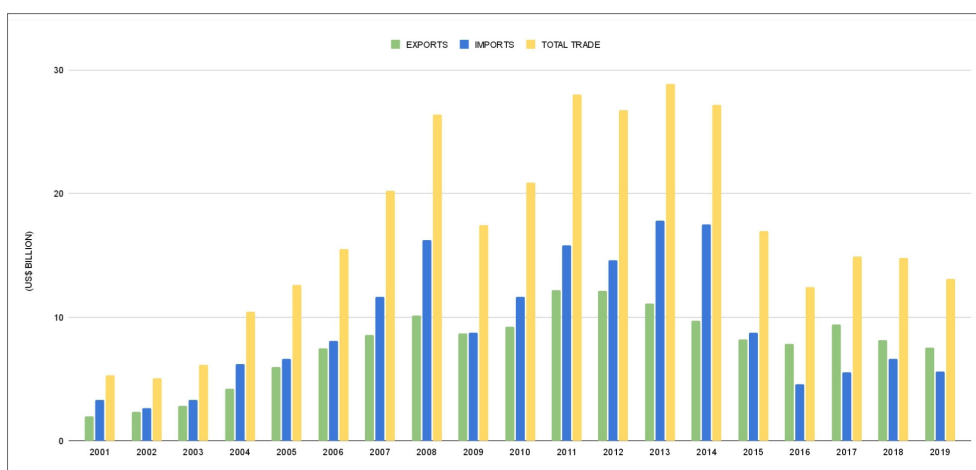
economic relations have shown to be absent: (i) the establishment of trade agreements with emerging partners on the African continent, like the ones mentioned above, to ensure access to key markets in all regions; (ii) the creation, in private coalitions, which take the form of federations of industries and business representations, within their bodies supporting internationalization, of cadres specialized in the African continent; and (iii) the widespread dissemination, in public and private circles, of quality information on African markets.

## A way for approximation

Commercial diplomacy must design a broad strategy for the opening of African markets, abandoning the automatic pilot that only provides technical and bureaucratic support to the Brazilian exporter. To do so, it must be in the front line and solve the mistakes of the past, seeking strategic partnerships and privileges, proposing the agenda and mitigating the risks, and disseminating market intelligence.

First, Brazil urgently needs to reposition Africa in trade policy and give a new step, by complementing trade diplomacy for Africa as a whole with closer ties focusing on specific partners, according to their individual endowments, in order to meet the particular needs of some of Brazil's strategic sectors. With the conclusion of the Mercosur-European Union Biregional Association Agreement, Brazil has the opportunity to form an economic triangle to give new vitality to economic relations with Africa as a bloc: the Mercosur-AfCFTA ra-

2. Brown e Boateng, 2020. The politics of market integration in Africa: Trade agreements, protocols, and the 'crisis of implementation'. African Center for Economic Transformation.



pprochement is urgent, and it can be done so by establishing periodic high-level meetings and an inter-regional coordination group.

At a bilateral level, Brazil has approaches, dialogues and alliances with European countries that have a certain degree of independence from its European Union policy; why can't the same logic be applied to the African continent? The country should seek trade and investment facilitation agreements that mark its presence in the continent and serve as gateways to all its regions, starting with already consolidated economic partners, such as Algeria, Nigeria, Angola, and Kenya, without neglecting those with whom economic ties are more recent and less robust, such as Senegal, Ghana, Togo, and Sierra Leone.

Secondly, commercial diplomacy should expand the activities of trade promotion, in order to instigate the interest for the African continent in the Brazilian business community, exposing in private entities the latent opportunities that can serve the interests of the national industry. CAMEX and APEX play important roles in this sense, but they take on a political-institutional character that sometimes makes the dialogue with the private sector difficult and abrasive, being unable to quickly map the top priorities of the national business community. Besides this, the coverage and range of their activities end up favoring traditional markets, such as the United States, China, and Europe, to the detriment of African countries.

Private sector representation organizations, as well as their regional chapters, with due support from the MRE, the ME, and the SECOMs, should look at Africa with more eagerness, creating their own specialized bodies and agencies to explore the opportunities and openings for the national exporter in the African market. Among the 20 priority and potential markets listed by the national confederations of sectoral representation for 2021, there is no mention of any African country - Russia, Switzerland and Taiwan, even with lower trade volumes with Brazil, have a prominent place, to the detriment of Egypt, Algeria and South Africa, which are consolidated African partners of our country.

Finally, civil society and government should seek synergies with the private sector in the production of knowledge about the African continent, aiming at the production of market intelligence, with the simple, direct and clear purpose of providing quality inputs for the decision-making of the national business community. The dialogue about the specific opportunities of the African market should be permanent and frequent, in order to explore in depth not only Africa as a continent, since its immense and complex market can create some resistance in the private sector, but also the countries in their particularness, each with characteristics that can be very attractive to the Brazilian business community.

Brazil also has one of the largest diplomatic networks in the world, with Embassies and Consulates in over 150 countries, in addition to an extremely qualified diplomatic staff, able to deal with political, economic and security issues in different realities, as well as commercial, agricultural and tax/customs attachés. It is up to this diplomatic structure to actively promote economic relations between Brazil and the African continent in the ways that are possible, producing information in the form of market reports, analysis of regulatory frameworks, and "doing business" manuals, which serve not only for decision-making at the strategic level, but also for the general interest of the national business community.

As a result of a decade of economic decoupling in the South Atlantic, Brazil exported only \$7.5 billion to Africa in 2019, mostly in primary products<sup>5</sup>. Brazil has forgotten its strategic role with the Gulf of Guinea, as well as its economic avidity that resulted in large investment and infrastructure projects in Angola, Namibia, and Mozambique. East Africa, in turn, has escaped the Brazilian agenda, with bilateral trade in decline since the historical high of US\$362 million in 2011, reaching only US\$80 million in 2019<sup>6</sup>. Thus, Brazil has lost space in the African market to international competitors, especially in the supply

5. International Trade Center, 2021.

6. Ibid.

of manufactured goods: China exported a total of \$113 billion to the continent in the same year, while India summed up \$29 billion, Russia \$13 billion, Turkey \$15 billion, and the UAE \$22 billion in sold products<sup>7</sup>.

Brazil needs to be aware of the challenges and opportunities in order to make the best decisions, and needs to weigh the cost and benefit of engaging with Africa; as the data presented indicates, the costs are minuscule compared to

the gigantic benefits. We need more heavy industries providing building materials for African cities, more agricultural machinery and implements participating in the green revolution in these countries, and more technology and communications companies contributing to the continent's digital transition. The scenario is negative, but not irreversible.

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7. Ibid.

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## SOLUTIONS

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### STEP 1

Repositioning Africa in trade policy by complementing trade diplomacy for Africa as a whole, strengthening ties with specific partners.

### STEP 2

Expand trade promotion activities in order to instigate interest in the African continent in Brazilian business and expose latent opportunities to private entities.

### STEP 3

Seek synergies between government, civil society and the private sector in the production of knowledge about the African continent, aiming at the production of market intelligence.