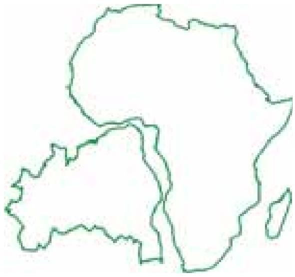


CHAPTER 5

Brazilian Foreign Direct Investment and Trade with Africa

KEY MESSAGES

- Two main types of Brazilian company operate in Africa: large companies present since the 1980s, and small and medium enterprises (SMEs) only recently engaging there.
- Brazilian foreign direct investment (FDI) in Africa has grown in the past decade and still has the potential to rise much further.
- Brazil–Africa trade has increased substantially in the past 10 years. But many challenges remain, associated with limited communications, logistical difficulties, bureaucracy, and lack of transparency. The main sectors of trade are mining, oil and gas, and infrastructure.

THE ROLE OF BRAZILIAN DEVELOPMENT INSTITUTIONS

Brazilian development banks have played an important role in bringing Brazil closer to Africa. Among these, BNDES deserves special mention: its incentives and disbursements to Sub-Saharan Africa have increased hugely over the past decade.

Trade between Brazil and Africa climbed from around US$4 billion in 2000 to about US$20 billion in 2010 (table 5.1), with a steep rise from 2003. With Sub-Saharan Africa, it increased from US$2 billion to US$12 billion over the same period. This environment helped BNDES to launch measures to further trade between the two regions, making possible the use of Brazilian loans.

The stimulus given to Brazilian exports has also been central to the expansion of trade. In 2008, incentives for Brazilian companies to export to Africa (under the Program Integration with Africa or Programa Integração com a África) led to the disbursement of R$477 million (approx. US$265 million), rising to R$649 million (approx. US$360.5 million) in 2009 (PDP 2010). This increase can be attributed to the strengthening of the Productive Development Policy (PDP), established in 2008 with the purpose of promoting the cycle of national economic expansion, even during international financial crises.

Table 5.1 Brazilian trade with the world, Africa, and Sub-Saharan Africa, 2000–10 (US$)

	2000	2001	2002	2003	2004	
World	110,969,460,353	113,888,349,663	107,681,303,968	121,528,871,507	159,512,859,906	
Africa	4,252,876,098	5,319,020,146	5,036,174,214	6,149,521,057	10,425,741,453	
Sub-Saharan Africa	2,054,751,728	3,275,132,745	3,009,938,102	3,759,498,378	6,498,713,052	
	2005	**2006**	**2007**	**2008**	**2009**	**2010**
World	192,129,063,582	229,148,973,892	281,269,740,902	371,139,076,664	280,642,073,593	383,563,775,541
Africa	12,630,456,924	15,536,861,331	19,903,591,657	25,919,298,556	17,152,899,842	20,407,917,230
Sub-Saharan Africa	7,072,242,226	10,158,144,627	13,128,537,975	16,877,688,204	11,036,725,854	12,190,937,300

Source: Prepared by IPEA based on data from the UN Comtrade database (http://comtrade.un.org/db/).

The PDP provided BNDES with a certain direction and framework for action internationally. Its directives led to practical measures for strengthening commercial relations and Brazilian direct-investment flows into Africa. This focus on practical solutions, which emphasized commercial and infrastructure-related activities, is the result of the opportunities spotted for the presence of Brazilian organizations, public or private, in Africa.

This presence, guided by the government via BNDES, placed the bank at the center of the interaction between domestic corporations and the African market. One of the goals of the PDP was to choose a small number of corporations—usually three—capable of engaging in activities in Africa.

Another goal of the PDP was signing a three-year agreement (2009–12) between BNDES and the Brazilian Agency for the Promotion of Exports and Investments (APEX). The agreement's aim was a policy of diversification for Brazilian exports to Africa. The process was facilitated by the granting of financial benefits (close to US$500 million, in 2008) to certain domestic companies (table 5.2).

The Brazilian government launched its Export Stimulus Program (PROEX) in 1991 to stimulate the search for new markets for domestic products as a result of the Action Plan Implementation Oversight Report. In August 2011, the PDP was replaced by the Larger Brazil Program (Programa Brasil Maior) 2011–14, with the objectives of developing the productive capacity and competitiveness of Brazilian industry. The new plan—built on the Industrial, Technology and Trade Policy (Política Industrial, Tecnológica e de Comércio Exterior or PITCE) and the PDP—is more comprehensive than previous policies because it includes a series of measures to promote investment and innovation, support trade, and protect national industries.[63]

Aside from these export-stimulus initiatives, importance was also given to measures that allowed Brazilian companies to work on infrastructure projects in Sub-Saharan Africa. Though information is scarce, this strategy shows the importance of BNDES's role in broadening domestic capital in the region (PDP 2010).

[63] Brasil Maior website, www.brasilmaior.mdic.gov.br/.

Table 5.2 PROEX funding of exports to Africa, 2007–08

Year	PROEX funding (US$ million)	Supported exports (US$ million)	Number of corporations benefiting
2007	194.35	2,279.44	38
2008	38.25	436.23	35

Source: Prepared by BNDES based on Proex Equalização.

BNDES's role in expanding Brazilian businesses in Sub-Saharan Africa is also seen in the development of sugarcane-based ethanol processing plants. In 2006, a US$1.5 billion credit line to Angola (*Valor Econômico*, June 10, 2008) was developed, resulting in a strategic partnership agreement between Angola and Brazil in the context of the Afro-Brazilian policy and increasing Brazilian influence in the new African ethanol industry. A credit line of US$3.5 billion was opened in 2010 to Brazilian companies working in Ghana and Mozambique (Barros 2010). With this initiative, the Brazilian government began involving its African partners as key players in expanding its worldwide biofuel supply.

Ghana, through Brazilian funding and expertise, gained access to the Swedish biofuel market. Via a tripartite agreement involving Brazil, Ghana, and Sweden, BNDES financing of $260 million was obtained to enable the Ghanaian corporation Northern Sugar Resources to plant 30,000 hectares of sugarcane in the north of the country. Odebrecht started building a processing plant that was committed to purchasing the sugarcane produced, according to the Ministry of Development, Industry, and Foreign Trade (Ministério do Desenvolvimento, Indústria e Comércio Exterior or MDIC), while the Swedish government, via AB Svensk Etanolkemi (Sekab), pledged to buy all the ethanol produced by the plant over 10 years (*A Tarde* 2008).

A move is under way to establish a consistent strategy for BNDES's activities in Africa, supported by Brazilian foreign policy. Since 2003 this process has gradually been strengthened and has resulted in actions of a technical nature. With the creation of the PDP and other development instruments managed by BNDES and other development banks, these initiatives have been harmonized since 2008. Another example is the presence and activities of the Brazilian Caixa Econômica Federal (CEF) in Angola and Mozambique, through international technical cooperation for the development of housing projects.

In other activities, at the end of 2010, Banco do Brasil and Bradesco, two of the biggest Brazilian banks, announced their partnership with the Portuguese Banco Espírito Santo in launching joint activities and supporting Brazilian companies in Africa. Since the two Brazilian banks already provide services for SMEs in Brazil, it is likely they will also extend credit to expand SME business in Africa.

BNDES and CEF recognize that there are still important challenges ahead. The lack of guarantees from African partner countries limits development of BNDES's activities, while legal limitations prevent the CEF from offering credit outside Brazil.

BRAZILIAN COMPANIES IN AFRICA

FDI

Although the Brazilian government has been prioritizing FDI in Africa (it increased from about US$69 billion in 2001 to US$214 billion in 2009—table 5.3), Africa has not been a major destination for foreign investment from private Brazilian firms over the past decade. Brazilian FDI in Sub-Saharan Africa amounted to only $281 million in 2001 and $124 million in 2009. It is possible that some funds get to Africa through a "triangular diversion" via countries such as the Bahamas and the Cayman Islands, but the data cannot confirm this.

Some African countries were named in central bank data in 2001–06. But during 2007–09, few African countries were—most were, instead, relegated to the "other" category. But two of the countries in this category—South Africa and Angola—host the largest concentration of Brazilian FDI in Africa (Angola was the larger, especially in energy, mining, and infrastructure, given the presence of Petrobras and Vale as well as the construction companies Andrade Gutierrez, Camargo Correa, Odebrecht, and Queiroz Galvão).

According to the United Nations Conference on Trade and Development (UNCTAD) *Global Investment Trends Monitor* (January 2011), although global

Table 5.3 Brazilian Foreign Direct Investment abroad, 2001–09 (in millions of US$)

	2001	2002	2003	2004	2005	2006	2007	2008	2009
Direct investment greater than or equal to 10%, by country									
African countries									
South Africa	8				0	2			
Angola	265	18	22	24	17	20	73	58	124
Countries of possible triangular diversion									
Bahamas Islands	5,954	6,958	6,565	7,825	7,449	9,259	9,341	9,531	10,291
Cayman Islands	14,785	16,465	15,097	13,930	15,113	20,284	31,212	31,024	36,268
Total direct investment greater than or equal to 10%	42,584	43,397	44,769	54,027	65,418	97,715	111,339	113,755	132,413
Intercompany loans, by country									
African countries									
South Africa	0		0		1				
Angola	9	12	3	10	1	1			
Countries of possible triangular diversion									
Bahamas Islands	216	326	360	409	377	101	288	62	197
Cayman Islands	3,814	7,696	7,151	12,389	11,387	14,539	25,212	37,981	27,319
Total intercompany loans	7,104	11,026	10,123	15,169	13,842	16,460	28,547	41,914	32,110
Total Brazilian capital abroad	68,598	72,325	82,692	93,243	111,741	152,214	190,205	204,005	214,017

Source: Prepared by IPEA based on data from Brazil's Central Bank.

flows were largely stagnant in 2010, developing countries' markets allowed foreign investors to increase their profits. FDI inflows to Africa peaked in 2008, alongside a commodities boom, before falling by 14 percent in 2010.

The expectation is that as more Brazilian companies do business with Africa, some of them will relocate to the continent, and Brazilian FDI in Africa will become more relevant in the medium and long term.

The traditional players

Brazilian private investment in Africa began in the 1980s, and early investors are the Brazilian corporations with a presence in Africa. Although they are found across the continent, their activity is concentrated in infrastructure, energy, and mining in Sub-Saharan Africa (figure 5.1). These traditional players—the leading Brazilian companies in Africa by investment and sales—are Andrade Gutierrez, Camargo Correa, Odebrecht, Petrobras, Queiroz Galvão, and Vale. Marcopolo also warrants a mention for its approach (box 5.1).

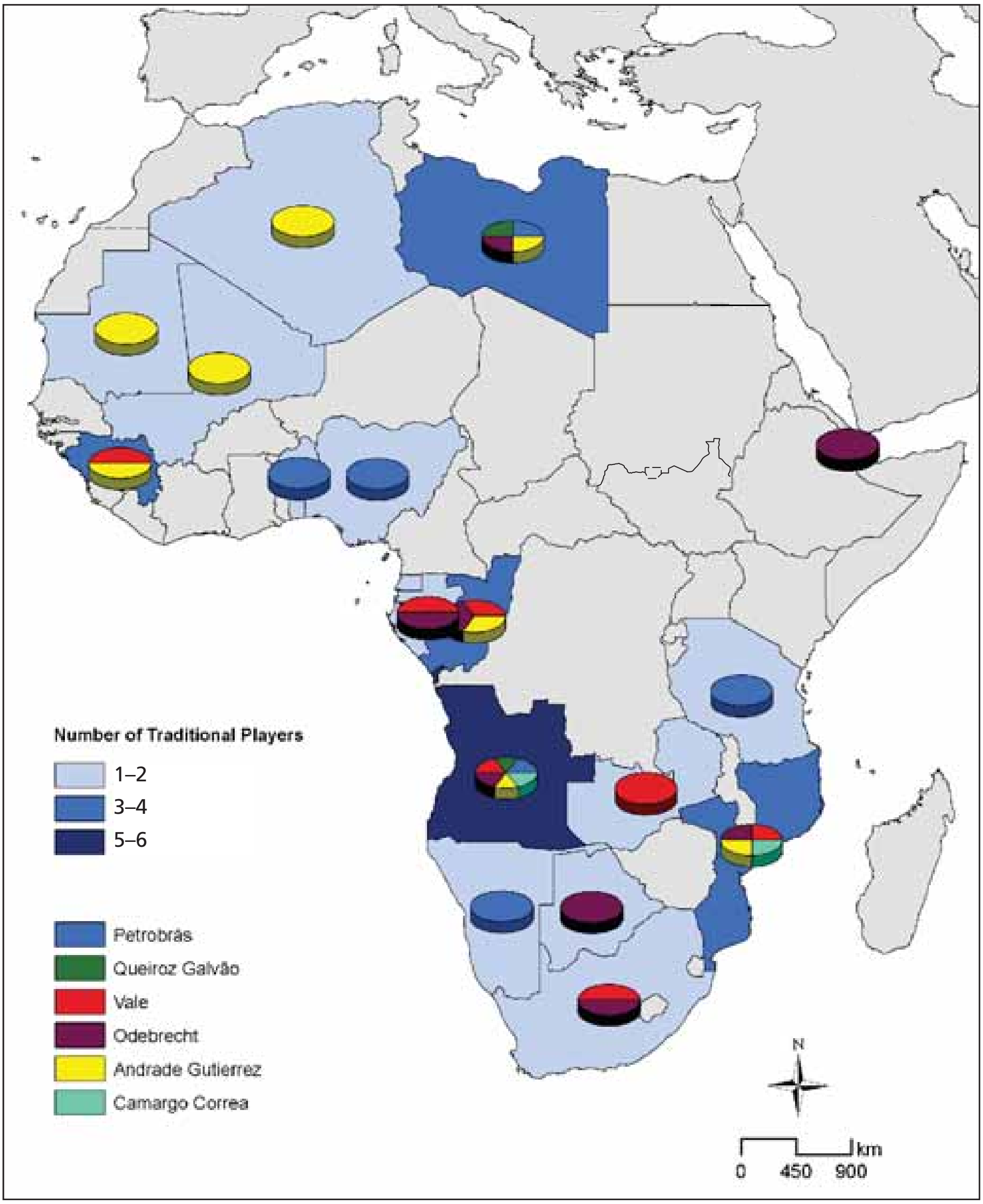
The Brazilian presence in Africa stands out because of the way Brazilian corporations do business (Reuters 2011). Their business models tend to hire locals for their projects and develop local capacity, which improve the quality of services and outputs. Brazilian businesspeople from Odebrecht in Angola, for example, confirmed that strategic positions are not only held by Brazilians, but also by locals. The number of Africans hired in Brazilian firms is so high that Odebrecht has become the largest private employer in Angola.

Odebrecht is the Brazilian construction company with the largest number of projects in Africa, with a presence in South Africa, Angola, Botswana, the Democratic Republic of Congo, Djibouti, Gabon, Liberia, Libya, and Mozambique. It has partnered with governments and other foreign companies as well as established consortiums with other Brazilian contractors in Africa. Its diversified activities include projects related to oil and gas exploration, infrastructure, construction of residential condominiums, urban planning, diamond mines, and food distribution. One of its first projects was in Angola, with the 1984 construction of a dam in Capanda, Malange. Since then, the company has undertaken business activities in many countries in the region, including building the Letsibogo dam in Botswana, drilling for oil in the Democratic Republic of Congo, providing oil-well services in Gabon, constructing container and fuel terminals in Djibouti, and constructing a coal mine at Moatize, Mozambique (with Vale), including settlements for families forced to move by the new mine.

Andrade Gutierrez is active largely in construction in Angola, Algeria, Cameroon, the Democratic Republic of Congo, Guinea, Equatorial Guinea, Libya, Mali, Mauritania, and Mozambique. It has been doing business in Africa since 1984, building roads and housing as well as being involved in urban planning.

After the construction company Camargo Correa opened offices in Angola in 2006, it was hired as the contractor for many projects. Many of them entailed urban planning and building housing, roads, and power lines. One of the company's largest projects involved a consortium of foreign and local companies for producing cement. In Mozambique it is involved in constructing the Mphanda

Figure 5.1 Brazilian corporations in Africa, 2010



Source: IPEA.

Nkuwa hydroelectric project on the River Zambezi. It is also part of a consortium—headed by Odebrecht—building a coal mine at Moatize, Mozambique. Recently, it was announced that the company would undertake road and drainage infrastructure work in Angola with a credit line from BNDES.[64]

[64] Africa 21 2011.

Box 5.1 Marcopolo: Brazilian manufacturing in Africa

The Marcopolo Group, established in 1949, has four brands (Marcopolo, Ciferal, Volare, and Banco Moneo). The company is the third-largest manufacturer of bus bodies in the world, whether for tourist or urban transport. Marcopolo has factories in seven countries, including four in Brazil and two in Africa—Egypt and South Africa.

The presence of Marcopolo in Pietersburg, South Africa, began in 2000. The following year, it transferred its facilities to Johannesburg, and in 2008 it began its activities in Egypt.

Marcopolo stands out for its unique profile. While many established Brazilian players have been concentrated in infrastructure, mining, and oil for about 30 years, Marcopolo entered the African manufactured-goods market only about a decade ago.

Marcopolo may be a good example for the many Brazilian companies that follow Brazilian delegations on missions to Africa, especially as it not only exports to Africa but has also set up a physical presence there.

Source: www.marcopolo.com.br.

The construction company Queiroz Galvão is engaged in civil construction work in Angola and Libya. It has undertaken projects related mainly to building and rehabilitating roads.

Vale has been active in African mining since 2004. The company has offices in Angola, the Democratic Republic of Congo, Gabon, Guinea-Bissau, Mozambique, and South Africa. It announced in October 2010 that it would be investing US$15 billion–US$20 billion in projects in Africa over the following five years, with more than US$2.5 billion already invested (Reuters Africa 2010). The company has acquired mining companies in South Africa and the Democratic Republic of Congo, particularly in copper and cobalt mining (Época Negócios 2008). In Mozambique, Vale has officially begun metallurgical and thermal coal-mining activities at Moatize (*Verdade* 2011). The company has pledged to invest another US$4 billion beyond the US$2 billion it has invested since its purchase of a coal-mining operation in 2004 (Katerere 2011). In Angola, Vale focuses on identifying suitable areas for copper and nickel mining. Through the corporation GeVale Indústria Mineira Ltda and a consortium involving Vale and the Angolan group Genius, the company is active in the Moxico Province that borders Zambia, mining one of the world's largest copper veins, which, with Katanga in the Democratic Republic of Congo, forms the copper belt. In Guinea (Conakry), Vale has purchased 51 percent of BSG Resources (Guinea) Ltd., which holds iron ore concessions in the country (Reuters Africa 2010).

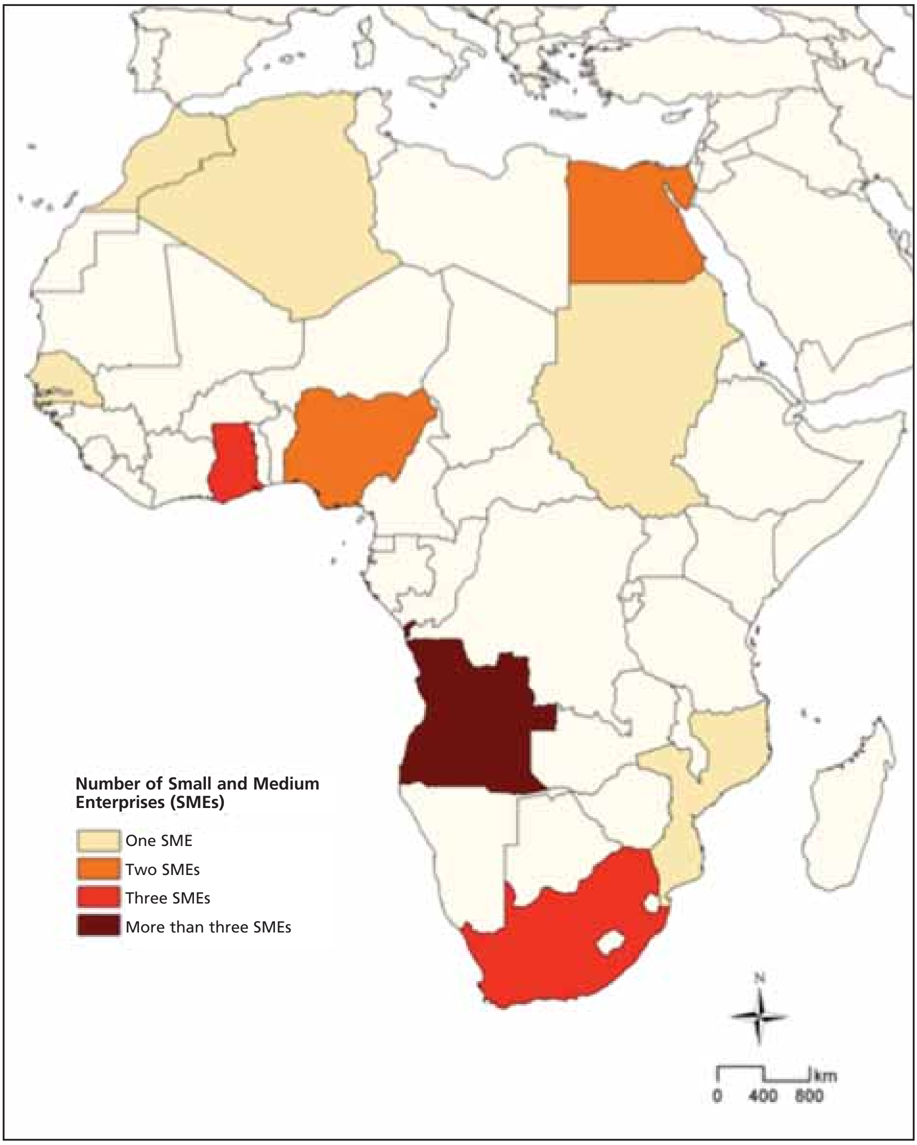
Since April 2008, Petrobras has taken a more assertive posture than in the past. Its activities focus on prospecting for and extracting oil, especially in deep and ultradeep waters, with operations in Angola, Libya, Nigeria, and Tanzania. The company recently acquired a 50 percent stake in a 7,400 square kilometer block off the Benin coast to search for light crude (Petrobras 2011a). In

Namibia, it has acquired a 50 percent stake in a block for exploration in deep and ultradeep waters (Petrobras 2011b).

SMEs in Africa

In the context of Africa's favorable business environment, APEX has been fostering Brazilian SMEs in Africa through various fairs, alongside Brazilian firms (figure 5.2). "Brazil Trade Africa" was one such event, held in April 2010 in São Paulo; over 70 Brazilian companies met with entrepreneurs from African

Figure 5.2 Brazilian SMEs in Africa



Source: Authors.

countries and closed deals amounting to about US$25 million. According to *Tendências e Mercados* 2010, these were in sectors such as food and beverages, clothing and footwear, automotive parts, electronics, housing and construction, and cosmetics.

The highest number of Brazilian SMEs is in Angola, where APEX opened a business center in 2010; operations began in January 2011. Since 2009 Angola and Brazil have formalized their intent to internationalize SMEs through the Angolan National Agency for Private Investment (Agência Nacional para o Investimento Privado or ANIP) and the Brazilian Agency for Industrial Development (Agência Brasileira de Desenvolvimento Industrial or ABDI). Some Brazilian SMEs are already in Africa (table 5.4), and others are interested in working there.

Table 5.4 The Brazilian SMEs in Africa, by country and sector

Countries	Start of activities	Investment	Employees	Sector	Presence	Comment
Algeria	—	—	—	Food	Export	—
Angola	2007	—	—	Food	3 stores: Luanda	Pioneering
		—	—	Education		—
	2009	—	—	Civil construction	Factory: Luanda	—
	—	—	—	Civil construction		—
	—	—	—	Agriculture	Representative	30% of the production directed to Angola
	2010	—	150	Supermarket	Stores in Luanda	—
	2010	—	—	Cassava processing	Factory (project)	—
	—	—	—	Machinery for ceramic industry	Export	—
	2009	—	—	E-commerce	Software	Partnership with Yanis
Ghana	2009	—	—	Civil construction	2 hydroelectric / ethanol plant (projects)	Fifth-largest construction company in Brazil
	2009	—	—	Equipment		—
	2009	—	—	Sugar	Plant (project)	Plans to build 10 plants in the country
Morocco	2007	—		Footwear	Export	—
Mozambique	2007	—	—	Sugar	Plant	70,000 tonnes of sugar
Nigeria	2011	—	—	Company for IT solutions. Mobile telephony.	Software	Bidding at Nigeria's Central Bank
Senegal	2011	US$13 million	300 (est.)	Horticulture	Farms	Largest producer of melons in Brazil
South Africa	—	—	350 (only 6 Brazilians)	Utilities	Factory: Germinston	Largest Brazilian company in South Africa
Sudan	2009	—	—	Food		Exports of halal goods
Various	—	—	—	Food		Export
	—	—	—	Export	Several products	International trade representative

Source: Prepared by IPEA.
— is not available.

With the aim of studying and supporting the development of micro and small enterprises, the Tri-Nations Summit Meeting, which brings together South Africa, Brazil, and India, was initiated in 2006 under the IBSA Dialogue Forum. Managers and technicians from the Brazilian Service to Support Micro and Small Enterprises (Serviço Brasileiro de Apoio às Micro e Pequenas Empresas or SEBRAE), the Small Enterprise Development Agency (SEDA) of South Africa, and the National Small Industries Corporation of India have encouraged the Incubation Crusade Program to identify incubators and technology parks that can house entrepreneurs and companies from Brazil, India, and South Africa. This initiative aims to help in internationalizing these companies and their services.

APEX signed a cooperation agreement in 2011 with the Angolan National Purchasing Office (Central de Compras de Angola or CENCO), which is responsible for the Program for Restructuring the System for Logistics and the Distribution of Essential Goods to the Population (Programa de Reestruturação do Sistema de Logística e de Distribuição de Bens Essenciais à População or PRESILD). This is a public initiative by the Angolan government to bring basic consumer items to the population and to stabilize supply chains. Brazil, through its SMEs, is in an advantageous position in this promising consumer market. A key strategy of the Secretary for Foreign Trade in MDIC is to assist the entry of Brazilian companies into the Angolan market and to foster partnerships with Angolan (and other African) companies.

TRADE BETWEEN BRAZIL AND AFRICA

Over the past 10 years, the need for market diversification and the favorable international economic environment has reintegrated Africa with its Brazilian trade partners. In 2000, all 53 countries[65] on the African continent represented 3.83 percent of Brazilian trade with the world, of which 1.85 percent was with the 47 countries of Sub-Saharan Africa (table 5.5). At that time, Brazil's main trade partners were the European Union (29.95 percent) followed by the United States (23.81 percent), South America (19.93 percent), and Asia (16.21 percent). China accounted for 2.08 percent, a share greater than for Sub-Saharan Africa.

Ten years later, the scenario had changed somewhat. Diversification can be seen in the data for traditional partners such as Europe (down to 25.46 percent), South America (down to 15.74 percent), and the United States (down to 12.18 percent) and for emerging markets such as China (up to 14.70 percent) and Africa (up to 5.32 percent), of which 3.18 percent was accounted for by Sub-Saharan Africa.

Trade patterns

Despite the growth of trade between Brazil and the world, which went from nearly US$111 billion in 2000 to about US$383 billion in 2010, trade between

[65] South Sudan is not included.

Table 5.5 Breakdown of Brazil's global trade, 2000–10 (%)

Country and region	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Africa	3.83	4.67	4.68	5.06	6.54	6.57	6.78	7.08	6.98	6.11	5.32
Sub-Saharan Africa	1.85	2.88	2.80	3.09	4.07	3.68	4.43	4.67	4.55	3.93	3.18
Africa—others	1.98	1.79	1.88	1.97	2.46	2.89	2.35	2.41	2.44	2.18	2.14
Central America	2.82	2.88	3.54	3.62	3.96	3.70	3.55	3.13	2.79	2.64	2.65
South America	19.93	17.27	14.09	14.76	15.75	16.68	18.24	17.96	16.96	16.48	15.74
Asia	16.21	17.70	19.90	21.56	21.40	23.16	24.17	24.55	27.79	31.44	34.06
China	2.08	2.84	3.78	5.50	5.74	6.34	7.15	8.31	9.82	12.86	14.70
Asia, except China	14.13	14.86	16.12	16.06	15.67	16.82	17.01	16.24	17.97	18.58	19.36
Europe	29.95	30.54	30.68	30.11	29.15	27.47	26.34	28.32	26.91	26.69	25.46
European Union	26.92	27.11	26.98	26.15	25.41	23.46	22.28	23.79	22.16	22.42	21.32
Europe, non-EU	3.03	3.43	3.70	3.95	3.74	4.01	4.07	4.53	4.75	4.27	4.14
United States	23.81	24.10	24.14	21.94	20.02	18.56	17.29	15.72	14.44	12.81	12.18

Source: Prepared by authors based on data from the UN Comtrade database (http://comtrade.un.org/db/).

Brazil and Africa has not yet reached 10 percent of that amount: the largest share was 7.08 percent in 2007 (the largest share for Sub-Saharan Africa was also in 2007, at 4.67 percent).

In quantitative terms, total trade between Africa and Brazil set a record in 2008, with US$26 billion, of which US$17 billion was for Sub-Saharan Africa (table 5.1). In 2000, the region accounted for 48.31 percent of this trade, having reached 65.96 percent in 2007. From 2008 (65.12 percent) to 2010 (59.74 percent), the share decreased because of political disturbances in countries in North Africa.

Africa's share of bilateral trade with Brazil during the past decade nearly doubled between 2000 and 2009 (figure 5.3). Even so, there is plenty of room for enhancing this relationship. In 2002, Africa accounted for 4.68 percent of Brazil's trade with the world. In the first year of President Lula da Silva's new administration (2003), growth rose to 5.06 percent. The year 2007 was the best in relative terms, at 7.08 percent, while in absolute terms 2008 was best, with trade of nearly US$26 billion.

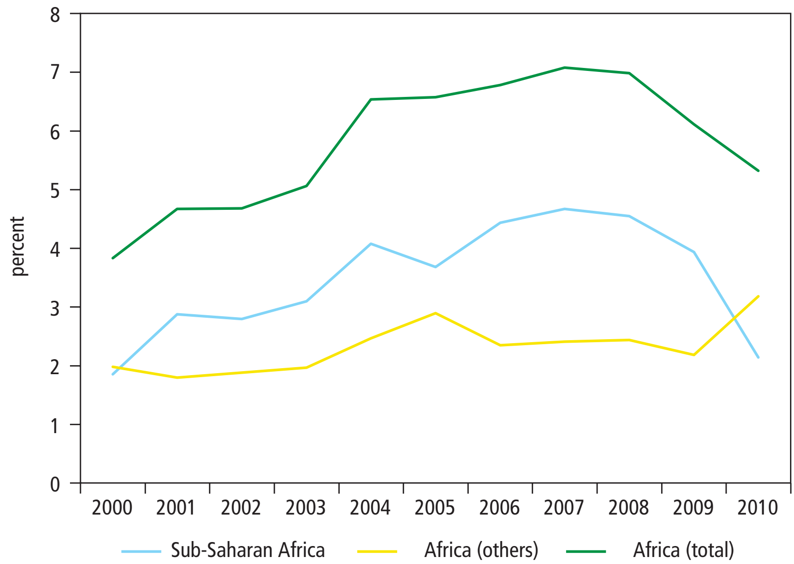
The African share of Brazil's trade declined between 2008 and 2010 (6.98 percent to 5.32 percent), stemming from a fall in commodity prices. (Growth was seen from 2000 to 2008.) Although there was some decline in levels in 2009

Table 5.6 Sub-Saharan Africa's share in Brazilian trade with Africa (%)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Exports	62.31	62.29	65.60	66.34	63.14	66.51	65.50	69.31	68.56	64.20	53.22
Imports	41.84	61.15	54.62	56.61	61.78	46.56	65.27	63.43	62.90	64.49	65.05
Trade	48.31	61.57	59.77	61.13	62.33	55.99	65.38	65.96	65.12	64.34	59.74

Source: Prepared by authors based on data from the UN Comtrade database (http://comtrade.un.org/db/).

Figure 5.3 Africa's share in Brazilian trade



Source: Prepared by authors based on data from the UN Comtrade database (http://comtrade.un.org/db/).

(to US$17 billion), due to the international financial crisis and the fall in commodity prices, a turnaround took place in 2010 (to US$20 billion).

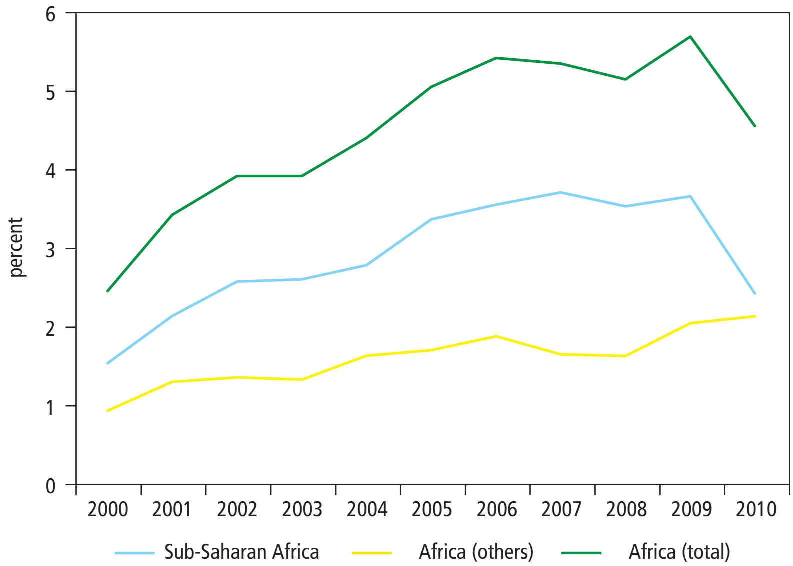
Exports

Africa received only 2.44 percent of Brazilian exports in 2000. By 2010, this share had almost doubled to 4.54 percent. In percentage terms, the highest share was reached in 2009, at 5.68 percent, which shows that Africa had become a viable alternative for Brazilian investors, promoting market diversification (figure 5.4). Exports increased in the period from 2000 (US$1.3 billion) to 2008 (US$10.1 billion), with a slight decline in 2009 (US$8.6 billion) and a return to growth in 2010 (US$9.1 billion). The decrease in 2009 can be explained by the same factors that caused a simultaneous fall in imports. There was also the consolidation of a greater Chinese presence in Africa, including operations that competed against the Brazilians in several sectors such as infrastructure, mining, and energy.

Brazilian exports to Africa between 2000 and 2010 consisted primarily of resource-intensive manufactured goods, technological products, and primary products. Primary goods showed continuous growth of 10 percent over this period, and accounted for almost 30 percent of Brazilian exports to Africa (figure 5.5). The share of primary products in Sub-Saharan Africa more than doubled, in relative terms, from almost 10 percent in 2000 to 20 percent in 2010 (figure 5.6).

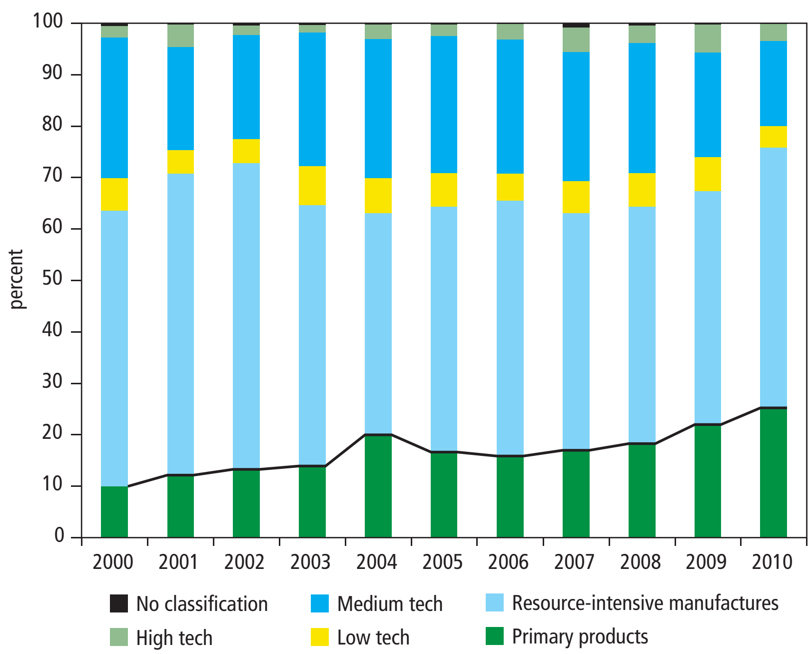
The Sub-Saharan countries were accountable for most of Brazil's exports to the continent during the past decade. Thus, exports may have been leveraged by

Figure 5.4 **Africa's share in Brazilian exports**



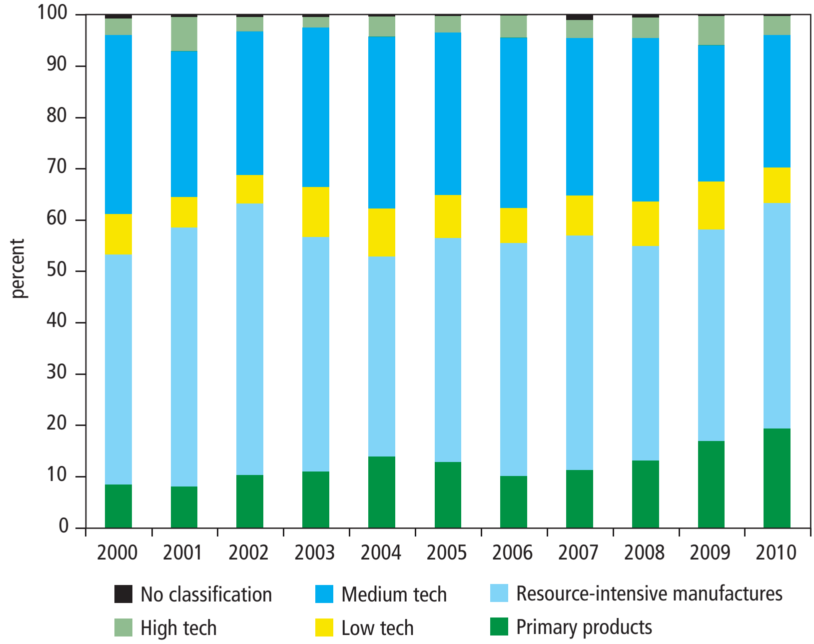
Source: Prepared by authors based on data from the UN Comtrade database (http://comtrade.un.org/db/).

Figure 5.5 **Brazilian exports to Africa by classification**



Source: Prepared by authors based on data from the UN Comtrade database (http://comtrade.un.org/db/).

Figure 5.6 Brazilian exports to Sub-Saharan Africa by classification



Source: Prepared by authors based on data from the UN Comtrade database (http://comtrade.un.org/db/)

Sub-Saharan Africa, which, in 2007, had its largest share of exports from Brazil, at 3.7 percent. Since then, the region has begun to lose ground to countries in North Africa (Figure 5.4).

Even within Sub-Saharan Africa, Brazilian exports were concentrated in just five countries, which accounted for 51.36 percent of the total volume for the period of 2000–10; South Africa alone accounted for 18.93 percent.[66] The main exports were sugar and honey, rice, meat, vegetable oils, refined oil, and vehicles and automotive parts.

Imports

Africa's economic growth of the past two decades has spawned an emerging middle class with growing demands for products and services. In countries such as Angola, where the middle class represents 38.1 percent of the population, the depiction and dissemination of the Brazilian way of life (*jeitinho brasileiro*) through Brazilian soap operas (*novelas*) has influenced people's choices (AfDB 2011). Flights from Luanda to Rio de Janeiro or São Paulo are booked months

[66] The other four countries are Nigeria (15.05 percent), Angola (12.53 percent), Ghana (3.26 percent), and Senegal (1.58 percent).

Figure 5.7 Africa's share in Brazilian imports

Source: Prepared by authors based on data from the UN Comtrade database (http://comtrade.un.org/db/).

in advance, as Angolan tourists visit Brazil and are eager to buy Brazilian goods.[67]

Africa provided 5.21 percent (US$2.9 billion worth) of Brazilian imports in 2000, which grew to 9.84 percent (US$6.1 billion) in 2004 and 9.10 percent (US$15.7 billion) in 2008—an over fourfold increase. There was a further upward trend in the last two years of the decade (figure 5.7).

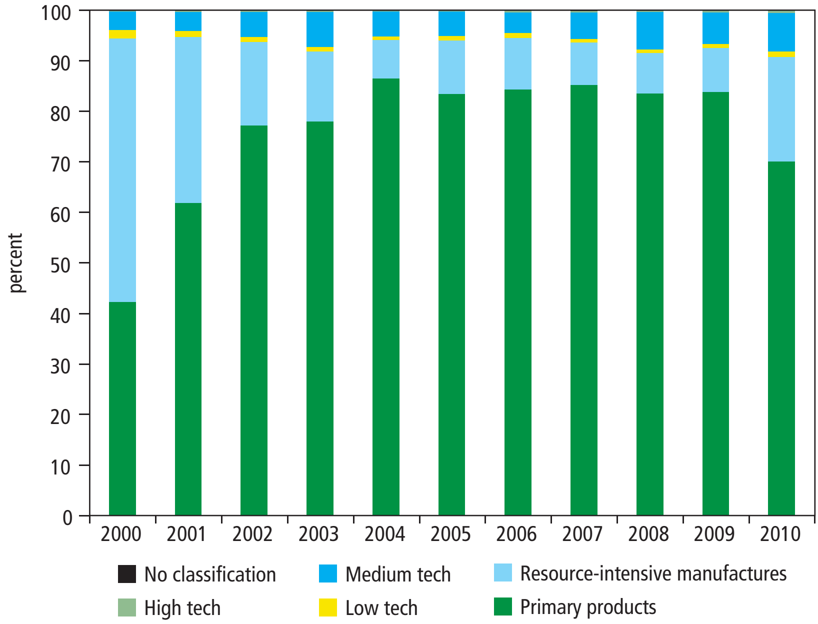
Sub-Saharan Africa, for its part, accounted for 2.18 percent (US$1.2 billion) of Brazilian imports in 2000. There was continuous growth after 2000, and in 2004 the figure reached 6.08 percent (US$3.8 billion). The fall in 2005 to 4.21 percent (US$3.1 billion) was quickly readjusted, and in 2006 the figure rose to 5.78 percent, though there was a further period of decline from 2008 (5.72 percent) until 2010 (4.03 percent).

Brazilian imports from Africa during the period consisted mainly of primary products, which in 2000 made up 40 percent of the total, rising to about 70 percent in 2010. The share of low- and medium-technology products was lower, together not exceeding 10 percent of imports throughout the entire period (figure 5.8).

The top five sources in Sub-Saharan Africa provided 59.53 percent of imports. Nigeria alone accounted for 46.81 percent—its main products being

[67] Interview with the former Angolan Minister for Economic Cooperation, August 2010.

Figure 5.8 Brazilian imports from Africa by classification



Source: Prepared by authors based on data from the UN Comtrade database (http://comtrade.un.org/db/).

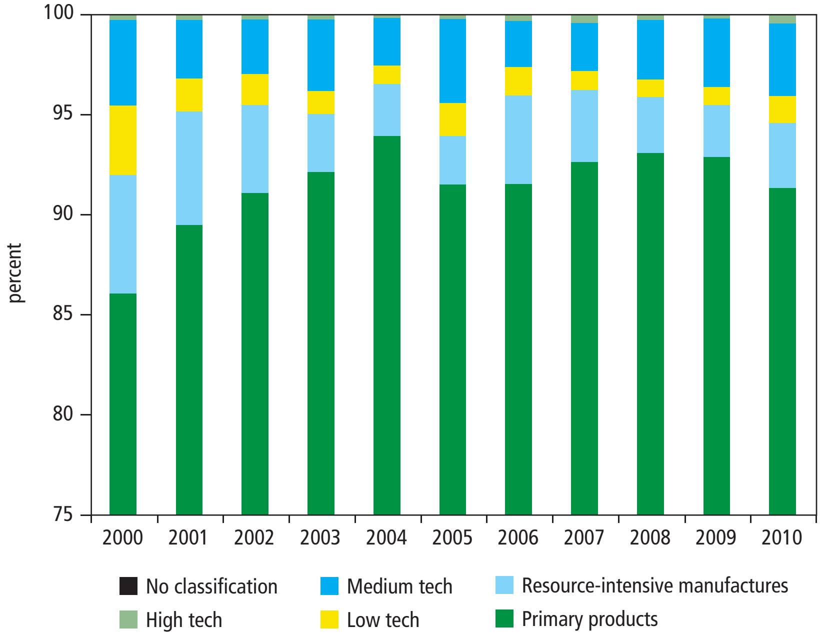
crude and refined oil as well as natural and manufactured gas.[68] Imports from Sub-Saharan Africa followed the same pattern as for the rest of the continent (figure 5.9).

Sub-Saharan Africa also managed to increase its share of Brazilian imports, especially in 2004, when it almost tripled the share compared with 2000. Given that Brazil's imports from the whole of Africa (as well as from other regions) declined over that period, this increase is noteworthy.

Brazil is still facing constraints to trade and investment in Africa. In the 2010 discussions on the next PDP (2011–14), it was noted that Africa had an important role to play in Brazilian growth. Cultural and historical links, as well as Brazil's technical and institutional expertise, were recognized. But constraints were also identified, including the inexperience of Brazilian companies abroad, lack of knowledge of the realities of Africa, limited credit, lack of good infrastructure for moving people and goods in Brazil and in Africa, as well as corruption and poor legal frameworks in many African countries. Several officials, both Brazilian and African, pointed out that communication channels and transportation for people and products are key constraints. In addition, some African countries are still classified as fragile and others are in a transi-

[68] The other four countries were Angola (5.65 percent), South Africa (5.53 percent), Congo (0.96 percent), and the Côte d'Ivoire (0.57 percent).

Figure 5.9 Brazilian imports from Sub-Saharan Africa by classification



Source: Prepared by authors based on data from the UN Comtrade database (http://comtrade.un.org/db/).

tional phase, and Brazilian firms would require sizable investment to train the local workforce and develop human capital.

Brazil and Africa need to work together so as to improve funding for African business missions to Brazil, implement strategic approaches to attract Brazilian investors to Africa, and increase African nations' knowledge of Brazil. A more targeted approach at the state level in Brazil is also required. The development of a Brazilian strategy for Africa would be an important contribution and complement to Brazilian foreign policy efforts. Such a strategy would not be complete if it did not raise awareness of relevant issues among local stakeholders in the nations involved.

TRENDS AND FUTURE PROSPECTS

Trade between Brazil and Sub-Saharan Africa has increased greatly over the past 10 years, directly related to the deepening of political relations between the two sides. The main products are in energy (oil and gas), agriculture (food and fertilizers), cattle (beef), mining (iron ore), and automobiles (vehicles and parts). Brazil's 10 leading trading partners in Sub-Saharan Africa are Nigeria (32.83 percent), South Africa (11.43 percent), Angola (8.68 percent), Ghana (1.47 percent), the Democratic Republic of Congo (0.77 percent), Senegal (0.71

percent), Côte d'Ivoire (0.69 percent), Cape Verde (0.45 percent), Benin (0.42 percent), and Mauritania (0.41 percent). These countries accounted for 57.87 percent of total bilateral trade with Sub-Saharan Africa over the period. This shows that Brazilian trade is concentrated within a specific group of countries (the majority non-Lusophone), and so has room for greater diversification and stronger relations with other African countries.

Despite the expansion in trade, FDI from Brazil to Africa has shown only a limited increase. The drivers of this restrained behavior, as well as measures that might boost FDI, are important themes for future research.

The change in Brazil's administration in January 2011 has not shifted the nation's focus on South–South cooperation (*Carta Capital* 2011). Associated initiatives will remain a Brazilian foreign-policy priority, especially efforts to develop closer ties with Africa (Patriota 2011), which was demonstrated in the first visit of President Dilma Rousseff to South Africa, Angola, and Mozambique, after only 10 months in office, in October 2011. Current operations converge with the initiatives of the previous government, suggesting that Brazilian diplomatic moves toward Africa will at a minimum maintain existing political ties, if not deepen them. In fact, President Dilma Rousseff named former President Lula da Silva as the chief representative for the Brazilian delegation at the last African Union Summit in July 2011. In addition to confirming Brazil's interest in Africa, this confirms Lula's personal interest in Brazil–Africa issues.

Actors involved in Brazilian initiatives in Africa, such as development institutions, are continuing their operations in Africa, not only in credit projects and foreign trade, but in scientific and technical partnerships. Many of these activities are planned for a period beyond a single governmental term of office. Brazilian investors thus face the problem that some African governments might default, leaving debts to be assumed by the Brazilian government (as has happened before).

Another area of interest is the development of an African middle class. Many Brazilian SMEs are targeting this market, especially in the Portuguese-speaking countries (AfDB 2011). Brazilian companies that have traditionally done business in Africa are prepared not only to increase their investment but also to diversify their areas of operation.

In sum, incentives provided to boost Brazilian exports to Africa in the past decade helped to develop a conducive business environment and to increase trade between the two regions. These successes augur well for continued progress in the short and medium term.