



REPORT

Assessing and Redefining Policies towards Africa in a New Global Scenario: Intersecting Perspectives between Brazil and Morocco

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The OCP Policy Center is a Moroccan-based think tank based in Rabat, Morocco, which aims to promote knowledge and contribute to relevant reflections on key issues of Economics and International Relations. By offering a Southern perspective on regional and global challenges, the OCP Policy Center seeks to make a significant political contribution through its four research programs: Agriculture, Environment and Food Security, Economic and Social Development, Commodity Economics and Finance and Geopolitics and International Relations.

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In July, representatives from the public and private sectors, think tanks, and academia, discussed, over a day, themes common to Brazil and Africa, explored ways to bring the two regions together, and inaugurated, in practice, a new phase of inter-Atlantic interaction.

The seminar “Assessing and Redefining Policies towards Africa in a New Global Scenario: Intersecting Perspectives between Brazil and Morocco” was jointly organized by the Centre for Studies in Integration and Development (CINDES), the Morocco OCP Policy Center and the Brazilian Center for International Relations (CEBRI), with the support of the Brazilian National Confederation of Industry (CNI).

The main themes addressed were the African development trajectory, the remaining economic challenges, the Brazilian strategy for Africa, the Brazil-Morocco relationship, the complementary productive sectors between the two countries, and the future prospects for integration. A conclusion of the seminar is that Morocco may possibly represent a gateway for Brazil into Africa in general, and to sub-Saharan Africa in particular, and that Brazil is a gateway into South America.

“Africa is the next development frontier (in the world), the next China in terms of economic growth”, says Karim El Aynaoui, Director of the OCP Policy Center in Morocco. In July, he participated in São Paulo of the seminar “Assessing and Redefining Policies towards Africa in a New Global Scenario: Intersecting Perspectives between Brazil and Morocco,” organized by the Centre for Studies in Integration and Development (CINDES), the OCP Policy Center, and the Brazilian Center for International Relations (CEBRI), with the support of the Brazilian National Confederation of Industry (CNI).

Over twenty speakers from the public, private, institutional, and academic sectors discussed key themes for Brazil-Africa relations, throughout a day of debates divided into six panels and two sessions. The first session examined the evolution and future perspectives of Africa and its implications for the Brazilian African strategy and the other session focused on Brazil-Morocco relations. “CEBRI, in its almost two decades of existence, has a record of including Africa in several of its initiatives, since it was established in Rio de Janeiro by a group of diplomats, academics, and business leaders,” recalls Roberto Teixeira da Costa, Trustee Emeritus and one of the founders of the Brazilian think tank.

The main themes addressed were African development, the remaining challenges for the continent, the Brazilian strategy for Africa, the deepening of the bilateral relationship, and the prospects for developing cooperation and bilateral relations with sub-Saharan African countries.

While Brazil is undergoing a critical political and institutional period and seeking a return of economic growth, Africa experiences an initial process of economic activity recovery, after years of deceleration. “Brazil has made an important investment in Africa, economic and diplomatic, in the first decade of the 21st century. We are now experiencing a period of reflux. It is an opportune moment to discuss the current strategy and to add new elements”, says the Director of CINDES, Pedro da Motta Veiga.

Africa: recent economic performance and short-term outlook

The World Bank Director and OCP Policy Center Senior Fellow, Otaviano Canuto, summed up the main expectations for the African continent. “Average growth for the sub-Saharan region is estimated at 2.6% for 2017, with large variations between different countries, compared to an estimated average growth of only 1.3% in 2016”, he explains. It is

worth remembering that the World Bank's growth projection for the global economy is 2.7% in 2017 - Africa would therefore be following the expected trend. For comparison purposes, the institution's growth forecast for Latin America and the Caribbean is 0.8%, falling to 0.3% in the case of Brazil. A World Bank report also shows that much of this economic recovery in the African region in 2017 will come from countries like Angola, whose economy stagnated in 2016 and this year is expected to advance 1.2%, as well as Nigeria, where performance will move from negative 1.6% in the previous year to growth of 1.2% this year. The two countries are the largest exporters of oil and are recovering from falling commodities prices.

The growth of African economies is not concentrated in countries with the same profile. On the contrary. Other countries in the region, with more diversified economies, continue with forecasts of strong expansion for the year. This is the case of Senegal (6.7%) and Kenya (5.5%). The two countries are part of the economies not dependent on oil production and exports in the region, in the same way as Côte d'Ivoire (forecast of 6.8% for 2017) and Morocco (3.8%). Of the ten national economies with the highest growth rates expected for 2017 in the world, three are from sub-Saharan Africa: Ethiopia (8.3%), Tanzania (7.2%), and Djibouti (7%). For the years 2018 and 2019, the World Bank maintains fast-track growth projections for Ethiopia (8.0% and 7.9% respectively), Tanzania (7.2% and 7.4%), and Djibouti (7% and 7.2%).

In the report "Restarting the Growth Engine", launched last May, the head of the IMF's African Department, Abebe Aemro Selassie, says that sub-Saharan Africa "remains a region with huge growth potential in the medium term" and points out that sound domestic policy measures are needed to realize this potential.

"Understanding the current economic landscape of sub-Saharan Africa represents an ideal starting point for assessing and redefining policies for the continent, with a focus on the region," argues the World Bank Director. "The world is changing and a new order is being drawn. The balance of power is changing and there are uncertainties about the global scenario. Power is shifting and so are the ways of seeing the world. Brazil is an emerging investor in Africa and should intensify trade with the region."

Remaining challenges for African development

OCP Policy Center Director Karim El Aynaoui presented some scenarios for Africa's growth in the medium to long term. One of them is associated with Agenda 2063 of the African Union (AU), which envisions a prosperous Africa, based on inclusive growth and sustainable development. Among the aspirations of this agenda are to boost development itself with sustainable and long-term management, considering that:

- economies are structurally transformed to ensure common growth, decent work, and economic opportunities for all;

- agriculture is modern for increased production, productivity and added value, to contribute to farmer prosperity and food security in Africa;
- Africa's unique natural wealth, its environment and ecosystems, including its lands and wildlife, are valued and protected.

Another scenario cited by the Director of the OCP Policy Center takes into account that African countries would show average annual growth rates of around 5%. There would still be social-economic differences and inequalities on the continent, which would be an intermediate scenario between the principles of Agenda 2063 and a hypothetical more negative scenario.

As warned by the Chief Economist of the Office of the Prime Minister of Senegal, Moubarack Lo, Africa needs higher growth rates, from 8% to 10% a year, to meet social demands. He assessed the recent African expansion and its outlook. In his view, domestic demand, private consumption and investment were the main drivers of growth in the region. He also notes that the trend of decreasing rates of poverty in African countries continues, although the continent's share in the global poverty scenario is still significant. He summarizes that Africa has natural resources such as oil and mineral reserves, a young and growing population, low labor costs and a growing middle class. The deficit in infrastructure (electricity, roads, telecommunications), says Moubarack Lo, generates demand and investment opportunities in the region. In terms of the challenges, he reinforces the importance of reducing political risk and ensuring institutional stability, as well as the consolidation of political leadership and good local governance. In the private dimension, the emphasis is in the search for capacity building and entrepreneurship.

World Bank Director Otaviano Canuto lists matters he considers essential for sustained growth in Africa: the reduction of market financing cost, economic stability, the maintenance of the structural reform agenda, as well as the strengthening and consolidation of social protection systems. "Africa has a lot to learn from Brazil's errors and successes. We are a source of lessons of what to do and what not to do," he said. He also points out that there is not necessarily an "inevitable curse of commodities". Canuto exemplifies that Zimbabwe and Botswana discovered diamond reserves in the same period, but Botswana was able to convert primary resources into socioeconomic development, based on good public governance.

Along the same lines, the participants of the event debated the remaining challenges to be faced by African countries, especially those in sub-Saharan Africa. One is the increased value-added of exports, heavily concentrated in primary resources. In this sense, the participants highlighted the importance of attracting investments in infrastructure, especially in transportation and energy, as well as the formation of human capital, including practices of good governance and efficient performance of institutions capable of guaranteeing legal certainty and profitability to investors.

Efforts to modernize African agriculture and to increase agricultural productivity face these challenges. According to the President of the General Council of Agricultural Development of Morocco, Mohamed Ait Kadi, in his country the agricultural sector is one of the main generators of employment. In the rural area, 80% of the population depends on agriculture, which accounts for 15% of the country's exports.

One of the country's goals is to encourage increased productivity in family farming, a development that can take place through public-private partnerships. Investment is perceived as a trigger to increase productivity in this sector. This requires the engagement of different stakeholders, from the public and private areas, cultivators, and farmers.

The central points of the Moroccan agricultural transformation strategy were presented (Green Morocco Plan):

- a search for inclusive and sustainable development;
- a plan as the engine for making Moroccan agriculture globally competitive and business oriented;
- a disruption of traditional models, a focus on rural development and job creation; and
- an attention to the highly diverse African productive systems: there is no single view valid for all countries in all circumstances.

The Brazilian strategy for Africa: a moment of reflection and reevaluation

Broadly speaking, Brazil developed political efforts in Africa throughout the first decade of the century, involving presidential trips to the continent, mainly to Portuguese-speaking countries, opening diplomatic posts and holding bilateral meetings. The basic objective was to open and preserve the so-called South-South dialogue. From an economic perspective, trade in goods and services has advanced with African countries.

Studies conducted by CINDES show that Brazil concentrated its efforts mainly on construction services and on the mining sector in large Portuguese-speaking African countries. In parallel to the Brazilian scenario, the economic momentum in Portuguese-speaking countries collaborated to decrease economic relations. The overall assessment, despite the initiatives, is that the relevance of Brazil as an economic partner of the African countries remained reduced. The country continues to be a relatively small player on the continent, compared to, for example, other BRICS countries (China, India, and South Africa).

The studies also show that countries not dependent on natural resources have consis-

tently advanced in both West and East Africa and that the very evolution of the African continent has been pointing towards regional and economic diversification. There is, between Brazil and a country like Morocco, potential for complementary actions, as well as space for coordinated bilateral initiatives in third African countries, the authors conclude.

The Undersecretary General for Economic and Financial Affairs of the Brazilian Ministry of Foreign Relations, Ambassador Carlos Márcio Cozendey, highlighted the priority for Brazil to set a legal framework for the regulation and promotion of technical and financial cooperation between Brazil and African countries in order to ensure a “stable legal framework”, especially when “resources are available again” for international cooperation. The Ambassador also stressed the importance of the entry into force of the new Investment Cooperation and Facilitation Agreements, ratified with Angola, Mozambique, Malawi, signed with Tunisia and Ethiopia, and in an advanced stage of negotiation with Morocco. The agreements aim not only to offer protections and guarantees to investors, but also to establish channels of cooperation between signatory governments for the prevention of disputes and identification of bilateral business opportunities. He also stressed the readiness of Mercosur to carry out negotiations on a trade agreement with Morocco.

Starting from a new regulatory and institutional framework for managing and fostering Brazil’s relations with Africa, the Brazilian strategy should take into account the challenges that African countries will face in the coming years to consolidate a sustainable pattern of development.

According to Keith Martin, Director of Global Results and former Senior Consultant at the African Development Bank, infrastructure is “the key to Africa’s success”, in particular, reliable and efficient energy infrastructure. Brazil represents a source of lessons on hydroelectric power generation, biofuel production, particularly ethanol, as well as other renewable energies. He also notes the opportunity for exchanges between the continent and Brazil in areas such as education, agribusiness and services, as well as the necessary investments associated with the rapid formation of urban agglomerations, as has been happening in African centers such as Lagos, Nigeria.

CEBRI Trustee and President of Kaduna Consulting, Roberto Giannetti da Fonseca, highlighted the question of food security, the need to care for the population and the effects of this problem on political stability and regional peace. “We could support the development of African agriculture with the Brazilian experience, which is very successful in the sector, and can provide an important contribution in Brazil-Africa relations”, said Giannetti da Fonseca.

Brazil-Morocco relations: current and potential frameworks

The policy papers developed by CINDES for the OCP Policy Center address the characteristics and opportunities associated with trade between Brazil and Morocco, as well as the policies of both countries for sub-Saharan Africa, exploring the possibilities of cooperation between the two countries in that region.

There was an advance in bilateral trade, associated with the commodity boom, albeit a recent drop. This trade flow has been strongly linked to the agricultural production chain: Brazil imports fertilizers and exports agricultural products, one of the studies indicates. Trade flows today reflect the exploitation of comparative advantages and a shallow relationship between the two economies.

It is possible, however, on the basis of trade indicators, to identify opportunities for the expansion of bilateral trade, in sectors that currently have low trade volume and for those with more expressive trade, but which may be expanded. In this context, according to the analysis conducted by the Directors of CINDES, Sandra Polónia Rios and Pedro da Motta Veiga, there is a possibility of diversification of export goods and real expansion in sectors with high added value - reinforcing the cases of the automotive and aeronautical sectors.

In summary, the other studies presented during the seminar indicated that there is a long way to advance the economic and financial relationship between Brazil and Morocco. In this sense, the structuring of a bilateral free trade agreement, as well as treaties for the promotion and development of investments, are important milestones:

The Ambassador of Morocco to Brazil, Nabil Adghoghi, mentioned the advanced state of negotiations for the Agreement on Cooperation and Facilitation of Investments between Brazil and Morocco, which only awaits the Moroccan signature, in addition to highlighting the possibility of completing a bilateral agreement to avoid double taxation in the air and sea transport sectors. Under the Mercosur-Morocco trade agreement, he announced a possible visit by the Moroccan Chancellor to Brazil to launch technical negotiations.

“Morocco can serve as the gateway to Brazil not only for Africa, but also for the Arab world”, according to Marcus Vinícius de Freitas, Professor of International Relations at FAAP and OCP Policy Center Senior Fellow. He believes that the 21st century will probably “see deeper ties between Brazil and African countries”.

“Considering that African and Middle Eastern countries are expected to grow between 3% and 5% (in the coming years), and some of them will exceed the 5% rate, Brazil should increase its interest in establishing a lasting partnership with Morocco. To this end, countries must build an ambitious bilateral agenda to increase trade and reduce restrictions”, says Marcus Vinícius de Freitas.

To widen trade relations and diversify the flow of products, the CEO of the Arab Brazilian Chamber of Commerce, Michel Alaby, suggests a greater exchange of business missions, participation in fairs in both countries and less bureaucracy, along with agility in negotiations for the commercial agreement between Mercosur and Morocco. “We need to advance economic relations between the two countries. Morocco is not only an important hub for African countries, it can also contribute to expand Brazil’s presence in all Arab countries,” he added.

Promising Sectors

In the current trade between Brazil and Morocco, some sectors are strategic and with great chances of increasing trade transactions. In industry, the automotive sector is one of those with high potential for expansion of intra-industry trade flows. CINDES Director, Sandra Rios, presented other segments with opportunities for both sides: clothing, footwear, electrical components and fish as possibilities for Morocco to export, and ore, steel, chemical products, pharmaceuticals and industrial machinery, as options for Brazil to export.

Another area relevant to the deepening of Brazil-Morocco economic relations is the aeronautics sector, taking into account the high competitiveness of Brazil and the rapid growth of the sector in Morocco. Karim Cheikh, President of the Group of Aeronautical and Aerospace Industries of Morocco, highlights the evolution of the activity in the country: between 2000 and 2015, the sector’s exports increased tenfold and the number of employees increased nine times. The executive emphasized Morocco’s increasing competitiveness in the manufacture of basic components (particularly electrical wiring, connectors and on-board electronics) and its growing engagement in value added activities such as engineering and design services. Karim Cheikh also expressed the expectation of deepening cooperation between Brazil and Morocco in this industry.

Leonardo Mercante, External Relations Manager of Embraer, recognized the low costs and high efficiency of Morocco in the production of parts and components for the aeronautical sector. According to Mercante, the aeronautical sector is particularly relevant for national development because of its positive effects on technological innovation and the generation of income and employment.

In this sector, Embraer emerges as a competitive player, already supplying airplanes to Royal Air Maroc. The first lot of Embraer E190 jets began to be delivered to the airline in late 2014. The Brazilian manufacturer predicts market demand for 220 new jets with capacity between 70 and 130 seats for the African continent in the next 20 years between 2017 and 2036. According to its most recent 2017 Market Outlook Report, Embraer mentions that Chinese interest is growing in the African continent, which tends to boost air traffic. The document also shows that the growth in business

between China and Africa will affect passenger traffic in the period, and conjectures that the African continent may not be immune to the trend of consolidation of airline companies in the world.

Efforts to enhance bilateral relations cannot ignore the phenomenon of international value chains, says Professor of Sciences Po and Senior Fellow of the OCP Policy Center, Alfredo Valladão.

He cites cases where the results of further integration could be attained, such as the fertilizer and aeronautical sectors. The Ambassador of Morocco in Brasilia, Nabil Adghoghi, explains that the world is opening up around new productive arrangements. “Nowadays we no longer think about which product to sell, or which to buy. A country produces 10% of a product, the other makes 30%, and so on”, he said, highlighting the advances made by Brazil in the areas of agribusiness, automotive, and renewable energy.

Conclusions

The seminar provided a rich exchange of ideas and experiences related to the challenges of African development and Brazil’s relations with Africa, and in particular with Morocco. Despite rapid economic growth on the African continent, the challenges of making this dynamism sustainable and inclusive are far from over, as evidenced by the recent slowdown in many of the growth economies and the realization that the ability to take advantage of the commodity boom to diversify the economy varied widely between countries. Infrastructure, education and good public governance within the basis of a sound institutional framework appear as pending challenges and prerequisites for the dissemination in the continent of successful practices and experiences of some African countries and of other regions of the world.

On the Brazilian side, after a decade of diplomatic and business activism - focused on exporting services and in the Portuguese-speaking countries - the country’s African strategy is in a reflux phase. In this case, crisis and opportunity go together: it is a question of taking advantage of the situation to discuss alternatives and possibilities involving new sectors and new partners in the region, especially in those countries where Brazil has little penetration.

The first step in this direction seems to be, as the Brazilian Ministry of Foreign Relations representative remarked, to reorder and update the national regulatory and institutional framework for managing Brazil’s relations with Africa, through domestic measures, but also through trade and investment agreements. This creates a regulatory infrastructure conducive to the deepening of relations between the two sides of the South Atlantic.

It is from this point of view that the relationship between Brazil and Morocco seems especially promising. These are two economies with low degree of economic relations, but with significant potential to increase bilateral flows of trade and investment and to develop joint initiatives in sub-Saharan African countries. Morocco has been implementing a consistent strategy to prioritize sub-Saharan Africa in its foreign policy and is identified in the region as a reliable partner and source of trade, investment and cooperation. This condition can be quite functional for a new Brazilian strategy, in which the diversification of sectors and markets appears as a relevant goal.

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Michel Alaby, CEO of the Arab Brazilian Chamber of Commerce

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Karim El Aynaoui, Director of the Morocco OCP Policy Center

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Trade and bilateral economic relations between the two countries are still in the initial phase.”

Sandra Polónia Rios, Director of CINDES

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The talks (Mercosur-Morocco) are advancing, we are studying the impacts. The foreign minister's visit should start the technical negotiations for this bilateral agreement.”

Nabil Adghoghi, Ambassador of Morocco in Brazil

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