Joanna Garlińska-Bielawska

A NEW PARTNERSHIP OF DEVELOPING REGIONS:
AFRICA – CHINA, INDIA, BRAZIL, AND ITS IMPORTANCE
FOR THE OPERATION OF AFRICAN REGIONAL
ECONOMIC COMMUNITIES (RECs)

Abstract

With the emergence of Brazil, Russia, India, and China (the BRIC countries) as new sources of
global economic, trade and investment growth, the world economy has experienced a relative shift in
economic power in the 21st century. The dominance of these new rights has accompanied a significant
improvement in economic prospects for Africa. According to The Economist, „Over the past decade,
Africa has gone from being the ‘hopeless continent’ to a ‘rising star’ and the next major growth pole
in the world economy”.

In this peculiar situation in world economy, the aim of this paper is to analyse the economic co-
operation between African states and China, India, and Brazil in the 21st century, and its importance
for the integration processes on the continent. The paper uses an analytical and descriptive method,
and also national and international literature, and statistical data from the United Nations Confer-
ence on Trade and Development – UNCTAD, United Nations Economic Commission for Africa –
ECA and Standard Bank.

The analysis shows the necessity for African RECs to develop a consistent policy in the area of
co-operation with emerging economies, in order to increase the benefits of regional integration and
strengthen the bargaining position of the region.

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Introduction

The African continent treated as a whole is regarded as the poorest continent in the world, while at the same time, due to its huge natural resources, it is a uniquely rich region. Africa is also a continent where relatively the greatest number of integration organisations and agreements in the world (in relation to the number of countries) have been established, based on the integration model used by developed (European) countries. However, after around half a century of its operation, it can be said that it did not help African countries to develop or to „integrate”. Due to weak state structures in many countries of this region, and due to numerous, ineffective aid programmes, towards the end of the 20th century, Africa still remained on the periphery of world economy. Moreover, the African continent was regarded as a „victim” of the globalisation process, which, due to its varied impact on different countries and social groups, provoked a great deal of controversy and negative connotations.

The 21st century has brought visible changes in the economic environment of the African continent. With the emergence of Brazil, Russia, India, and China (the BRIC countries) as new sources of global economic, trade and investment growth, the world economy has experienced a relative shift in economic power.

At the same time, China, India, and Brazil have become successful players on African markets. A particular expansion has been observed on the part of China, which since 2009 has become the biggest trading partner for the continent. A growing demand for raw materials, from these „emerging economies” among others, has resulted in rapid acceleration in economic growth in Sub-Saharan Africa, exceeding 5% per year. According to The Economist „Over the past decade, Africa has gone from being the ‘hopeless continent’ to a ‘rising star’ and the next major growth pole in the world economy” (Vickers, 2013, p. 673).

In this peculiar situation in world economy, the aim of this paper is to analyse the economic co-operation between African states and China, India, and Brazil in the 21st century, and its importance for the integration processes on the continent. The paper uses an analytical and descriptive method, and also national and international literature, and statistical data from the United Nations Conference on Trade and Development – UNCTAD, United Nations Economic Commission for Africa – ECA and Standard Bank.

The main areas of co-operation: Africa – China, India, and Brazil

Since the time the African countries gained independence, their main economic partners have been the developed countries of Europe (France and Great Britain) and the United States. The beginning of the 21st century was a time of change, characterised by a more intense economic co-operation between the continent and the so-called emerging markets, particularly China, but also India and Brazil. The main areas of this co-operation include trade, investments and aid.
• **TRADE** Africa’s trade with the BRIC, has grown faster than the continent’s trade with any other region in the world, doubling since 2007 to $340 billion in 2012, and it is projected to reach $500 billion by 2015, roughly 60 per cent of which (US 300 bn) will consist of China-Africa trade (Standard Bank, 2013, p. 1).

• **INVESTMENT** FDI inflows from the BIC (Brazil, India, China) were, until 2002, dwarfed by those from the United Kingdom, France and the US. Recent data suggest that FDI flows to Africa from India, China and Brazil have risen from 18 per cent of the total in 1995–1999 to 21 per cent in 2000–2008. The focus of these countries has been largely on countries rich in natural resources (United Nations Economic Commission for Africa, 2013, p. 1).

• **AID** The type of aid varies. Brazil differs from China (and from India) in providing very few loans, emphasizing the importance of in-kind technical assistance instead, and subsidizing the operations of its state and privately owned multinationals in Africa. China and India frequently provide project grants and concessional loans, but usually tie them to the purchases of equipment and services from their domestic companies – or, in some cases, to the access to Africa’s natural resources (United Nations Economic Commission for Africa, 2013, pp. 1-2).

The main areas of co-operation between China, India, Brazil and Africa are shown in Table 1.

Perhaps more than any in case of any other external actor in Africa, China’s approach to the continent reflects the strategic integration of trade, FDI and aid. This is driven by two major objectives, the need for resources to fuel China’s sustained growth and the need for political support as China seeks to enhance its global profile in economic and political forums. In the field of trade, a large market for resource exports from Africa, China is a source of cheap consumption and intermediate goods, and cheap and appropriate capital goods; potential for growth in the agricultural sectors. Hitherto, the most of Chinese FDI has been large projects in the oil and minerals sectors. This is changing rapidly and there are increasing FDI flows to Africa in manufacturing and services. Additionally, China offers abundant aid to Africa, often bundled with FDI in order to secure long term access to materials. This aid takes a variety of forms, including finance, concessional market entry, funds and technology for infrastructure, technical assistance and training (United Nations, 2010, p. 45).

India is a source of demand for African products, particularly for oil and minerals, but also for some agricultural commodities such as nuts and fruit. India has the capacity to provide important inputs for Africa, including capital goods, low-price consumer goods and business services. Low-cost pharmaceuticals, perhaps linked to incoming Indian FDI, represent a particular trading opportunity. Indian companies have the capacity to assist Africa in the commodities sector, in agriculture and in the pharmaceuticals and telecommunications sectors. Indian aid, linked to incoming FDI, might contribute to enhancing infrastructure, to developing mineral and oil deposits and particularly to health and pharmaceutical sectors. Technical assistance and training are also key areas for Indian technical assistance (United Nations, 2010, p. 53).
Table 1. Selected indicators determining the stability of EU's financial market in the years 2012-2014

<table>
<thead>
<tr>
<th></th>
<th>Africa’s importance to emerging economy</th>
<th>Emerging economy’s importance for Africa</th>
<th>Exports to Africa</th>
<th>Imports from Africa</th>
<th>FDI to Africa</th>
<th>Aid to Africa</th>
<th>Strategic integration by emerging economy</th>
<th>Strategic integration by Africa</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CHINA</strong></td>
<td>Energy, minerals; support in global forums</td>
<td>Source of low-cost technology and low-priced consumer goods</td>
<td>Wide range of products, of increasing technological contents</td>
<td>Oil predominates, and is of growing importance; some imports of minerals</td>
<td>Predominantly in resource sectors, but increasing flows to manufacturing and services</td>
<td>through FOCAC; tied to Chinese companies and inputs; extensive technical assistance; prestige projects (parliament, sports stadiums) are important and widespread. Aid concentrated in oil-exporting economies; debt cancellation</td>
<td>Very high–initiator of numerous forums for coordinated discussions; close interlinking of aid and FDI to trade interests, particularly securing long-term access to Africa’s resources; China also seeks African support in global arena</td>
<td>Very little, mainly through FOCAC forums organized by China</td>
</tr>
<tr>
<td><strong>INDIA</strong></td>
<td>Market (present); source of raw materials (future)</td>
<td>Source of cheap products; technical assistance</td>
<td>Refined petroleum products; pharmaceuticals</td>
<td>Oil, gold</td>
<td>In clothing in order to gain AGOA access to the United States; oil in Sudan and elsewhere; geographically concentrated in East Africa, but growing in Libya and Côte d’Ivoire</td>
<td>Predominantly lines of credit tied to Indian goods. But recent years have seen substantial increase, linked to access to minerals and oil</td>
<td>The Indian Government becoming more active in promoting a strategic focus, especially in minerals sector; more focused in its approach to Africa than China</td>
<td>Very little, mainly through Indian–organized forum, which is less developed than that of FOCAC</td>
</tr>
<tr>
<td><strong>BRAZIL</strong></td>
<td>Energy (short term); minerals; market for goods and services</td>
<td>Technology, particularly in health; support for infrastructure</td>
<td>Food, transport, refined petroleum, iron ore</td>
<td>Crude oil (formerly refined oil products)</td>
<td>Oil and iron ore and coal; infrastructure</td>
<td>Debt relief, infrastructure; AIDS projects; training; biofuels</td>
<td>Weak; Brazil seeks African support in global arena. African–South America Cooperative Forum established, coordinated by Brazil and Nigeria</td>
<td>Very little, apart from South Africa</td>
</tr>
</tbody>
</table>

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Brazil’s interest in Africa reflects its needs for energy (although in recent years Brazil has discovered significant oil deposits of its own) and commodities, and to some extent a market for its technology and exports. Brazil also sees Africa as a major partner in its desire to increase its influence on global economic and political forums.

The major opportunities for Africa in trade comprise a market for commodities. However, value added in commodity exports to Brazil has fallen, and only South Africa shows signs of exporting a wider range of products to Brazil. There is thus some scope for export diversification. On the import side, Africa has the capacity to benefit from Brazilian expertise in biofuels and pharmaceutical products (including AIDS-related products and services). For food-deficit African countries, Brazil may also be a source of animal feeds. In mining and construction, Africa has many opportunities to gain from the expertise and market access provided by large Brazilian commodities firms, particularly in iron ores. Brazilian companies also have expertise in infrastructure, although (as in Angola) they find it hard to compete with Chinese ones. There are many opportunities for African economies to benefit from
Brazilian assistance in health care, in agriculture, especially in the biofuels sector, and in low-cost technology (United Nations, 2010, p. 39).

**African Regional Economic Communities (RECs)**

Africa is a continent where relatively the greatest number of regional economic communities and agreements in the world (in relation to the number of countries) have been established. The majority of them were established within small time intervals after gaining independence by African countries, inspired both by external institutions (United Nations Economic Commission for Africa, ECA; Organisation of African Unity, OAU) and the solutions that did not necessarily take the specific character of African countries into account. The ECA in particular, actively promoted regionalism for many years, as a strategy for the development of the region. It made an assumption that African regional economic communities should cover with their influence the majority of countries in that part of the world, in order to create large markets for developing industries (in line with an anti-import strategy), and as the result increase self-sufficiency of the continent (Foroutan, 1998, p. 438). It is known that in many cases this idea led to the development of largely ineffective businesses, protected by high tariff barriers, lack of trust in market rules and a demand for state subsidy. However, African countries still wished to be members of integration organisations, which was not always supported by a real will of integration nor a realistic assessment of abilities. As the result, the main problems of African regionalism in the 21st century are, among others: overlapping membership, divergence of political interests of particular members of a given organisation, and high regional protectionism (Schmieg, 2015, p. 6). Overlapping memberships in multiple regional economic communities pose the basic problem in the region. Most countries belong to two or more integration communities. There are differences in political interests concerning integration. As the African Union has noted, certain countries fear the political and economic power of stronger partners, and African integration consequently suffers from delays in implementing agreements and from the unwillingness to relinquish some aspects of sovereignty as well as strong regional protectionism. According to the AU, certain states impose tariffs averaging 13.3 percent on imports

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3The regional economic communities operating in Africa include: Southern African Customs Union, SACU; Southern African Development Community, SADC; Common Market for Eastern and Southern Africa, COMESA; East African Community, EAC; West African Economic and Monetary Union, WAEMU; Economic Community of West African States, ECOWAS; Economic Community of Central African States, ECCAS), Economic and Monetary Community of Central Africa, EMCCA (franc. Communauté Économique et Monétaire de l’Afrique Centrale, CEMAC); Intergovernmental Authority on Development (IGAD); The Community of Sahel-Saharan States (CEN-SAD); The Arab Maghreb Union (AMU).
from other African countries. This is higher than the continent’s average overall external protection, which is 8.7 percent. This not only fails to promote African domestic trade, but also, in fact, discriminates against it in comparison to trade with countries outside Africa. The reason for this apparently counterintuitive situation is probably that while strong economic interest in trade with other regions and the influence of the World Bank and IMF lead to tariff reductions on a most favoured national basis (i.e. applicable to all), these relate less to products that are largely traded within the region (Schmieg, 2015, p. 6-7).

The main areas of co-operation between China, India, Brazil and Africa, and the development of integration processes on the continent

African countries (especially Sub-Saharan ones) generally trade mainly with developed countries, from which inward investment is also primarily sourced; even there has been some diversification towards emerging markets, especially China, in recent years. Within this, the bulk of extra-regional export comprises undifferentiated commodities that are generally not needed in the regional supply chain, owing to the serious underdevelopment of the manufacturing industry. Therefore, it is not surprising to find that that aggregate levels of intraregional trade in Africa still remain the lowest in the world, verging around 10 percent (Draper, 2013, p. 73-74). The situation has not changed, despite the fact that trade within the continent of Africa has noted, over the past decade, an average growth of 15%. This proves the fact that, on the one hand, despite the aforementioned limitations, trade has a significant potential; and on the other hand, that this potential has not been tapped by the integration organisations, established in fact for this very purpose (Schmieg, 2015, p. 6). In the context of this key integrational problem in the continent (multiple membership of countries in the communities) and weak cooperation both within and between the African communities, it should be emphasised that in June this year, the Tripartite Free Trade Area, T-FTA, was established between three regional organisations: EAC, COMESA and SADC, which gather 26 African countries. The members of the Tripartite Free Trade Area are listed in Table 2.

Tripartite FTA represents an integrated market with a combined population of 632 million people which is 57% of Africa’s population; and with a total Gross Domestic Product (GDP) of USD 1.3 Trillion (2014) contributes to 58% of Africa’s GDP (Schmieg, 2015, s. 6). It is also worthwhile to add some change in the approach towards the agreements with the groups from other world regions. The Southern African Customs Union (SACU) countries have negotiated limited preferential trade agreements with the MERCOSUR (signed) and India (under negotiation). This stands in sharp contrast to SACU’s rejection of an FTA with the US in 2006.
Table 2. Tripartite Free Trade Area (T-FTA)

<table>
<thead>
<tr>
<th>REC</th>
<th>Date of Establish</th>
<th>Member countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>East African Community (EAC)</td>
<td>2001 (EAC II)</td>
<td>Kenya, Uganda, Tanzania, Burundi, Rwanda</td>
</tr>
<tr>
<td>Southern African Development Community (SADC)</td>
<td>1992</td>
<td>Angola, Botswana, Democratic Republic of Congo, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, South Africa, Swaziland, Tanzania, Zambia, Zimbabwe</td>
</tr>
</tbody>
</table>


A geographical structure analysis of the economic co-operation between China, India, Brazil and the countries of the African continent (Table 3) shows that the main trading partners are relatively well-developed, large countries of the region. Dominant here is co-operation with South Africa, which also belongs to BRICS, and in a sense plays the role of an intermediary between the emerging economies and the rest of the countries of the continent. Besides South Africa, there is mainly Nigeria, the largest country in the region in terms of population (162 million inhabitants), Egypt and Angola, which has rich oil deposits.

Taking into account that the economies of African countries are in great majority small and often monocultural\(^4\), in the current situation, they are not able either to attract a large part of expenditure from other countries, or to spend a lot of money on import themselves. As the result, trade moves from trade between Africa and the EU, to trade between Africa and China\(^5\); however, as far as the African part is concerned, the main beneficiaries do not change – they are large, dominating economies, that also play key roles in particular regional economic communities (South Africa in SACU and SADC, and Nigeria in ECOWAS). Their main asset consists in greater external trade, which, thanks to a multiplier effect, can stimulate growth and economic development; however, it has a moderate impact on stimulating intraregional trade between African communities. While in SADC intraregional trade did grow from 11.7%\(^6\)

\(^4\) Three-quarters of over 50 African economies have a population smaller than 15 million, and one-third – smaller than 3 million. For around 20 countries of the region, one product constitutes 60% of export. Read more in: P. Lamy (2010), p. 39.

\(^5\) In 2001, EU countries were recipients of nearly half of global, African export, and in 2011, as little as 30%. Import rates changed in a similar manner: in 2001, the EU provided over 40% of goods and services to the African market, while in 2011, its share decreased to around 30%. ECA&AU (2013), pp. 46-48.
to 19.3% over the period of 14 years (2000-2014), in ECOWAS, it did not change at all, and both in 2000 and in 2014, it amounted to 8.9% (UNCTAD, 2015, p. 37).

Table 3. Geographical structure of economic co-operation between China, India, Brazil and African countries (as a % of the total involvement of emerging economies on the continent)

<table>
<thead>
<tr>
<th>Country</th>
<th>Export</th>
<th>Import</th>
<th>Investment (stock)*</th>
<th>Aid</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>South Africa (20)</td>
<td>Angola (33)</td>
<td>Sudan (22)</td>
<td>Sudan (19)</td>
</tr>
<tr>
<td></td>
<td>Egypt (12)</td>
<td>South Africa (19)</td>
<td>Algeria (11)</td>
<td>Algeria (15)</td>
</tr>
<tr>
<td></td>
<td>Nigeria (10)</td>
<td>Sudan (13)</td>
<td>Zambia (10)</td>
<td>Nigeria (11)</td>
</tr>
<tr>
<td></td>
<td>Algeria (7)</td>
<td>Congo (8)</td>
<td>South Africa (7)</td>
<td></td>
</tr>
<tr>
<td>India</td>
<td>South Africa (20)</td>
<td>South Africa (28)</td>
<td>Mauritius (12)</td>
<td>no data</td>
</tr>
<tr>
<td></td>
<td>Nigeria (14)</td>
<td>Morocco (17)</td>
<td>Morocco (11)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Egypt (10)</td>
<td>Egypt (8)</td>
<td>Senegal (7.5)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Kenya (8)</td>
<td>Tanzania (5)</td>
<td>South Africa (7)</td>
<td></td>
</tr>
<tr>
<td>Brazil</td>
<td>South Africa (19)</td>
<td>Nigeria (47)</td>
<td>Angola</td>
<td>Angola (45)</td>
</tr>
<tr>
<td></td>
<td>Nigeria (19)</td>
<td>Algeria (24)</td>
<td>Botswana</td>
<td>Sao Tome and</td>
</tr>
<tr>
<td></td>
<td>Egypt (18)</td>
<td>Egypt (18)</td>
<td>Congo</td>
<td>Principe (32)</td>
</tr>
<tr>
<td></td>
<td>Angola (11)</td>
<td>Angola (6)</td>
<td>Djibouti</td>
<td></td>
</tr>
</tbody>
</table>

* – in the case of Brazil, there is a lack of data concerning share.

China has its representation in such communities as COMESA, SADC, and ECOWAS (Sprysak, 2012, p. 344); however, negotiations are still carried out at a national, and not regional level, which weakens the bargaining position of Africa.

Since the times of decolonisation, France and Great Britain, and the United States, have continued to be the chief „investors” in Africa, despite the fact that together they now own only half of the investment on the continent. The share of the main investors has been gradually decreasing successively, in favour of two countries in particular: China and India. Although their share in the global investment in Africa continues to be small (4% and 0.8% respectively), the tempo of investment growth from these countries is impressive. In the years 2000–2010, Indian investments grew by 26.6% a year, and Chinese – by almost 100% (91.7%) a year (ECA&AU, 2013, p. 86). Chinese investments are greatly different from those coming from Europe and North America. Throughout history, Western and Japanese Direct Foreign Investment in Sub-Saharan Africa have come from private corporations and focused on maximum profit over a relatively short period of time, while Chinese investments come to a great extent from state or partly state-owned companies, that have access to low-cost capital and focus on long-term access to raw materials, or are closely connected with aid provision (Kaplinsky, McCormick & Morris, 2010, p. 396), and are also indirectly connected with the development of infrastructure, and are a manifestation of a new approach to capital co-operation between developing countries (UNCTAD, 2007, pp. 51-69).
This is particularly important if the analysis is carried out from the point of view of operation of integration organisations groups in Africa. A dramatic underdevelopment of infrastructure is one of the factors that slow down the already slow integration processes, including the development of intraregional trade. China carries out numerous infrastructure investments, particularly in SADC and EAC, where new roads and railway connections are being constructed, and ports, power plants, water supply systems and telecommunication systems are being modernised. In Angola itself, Chinese investment in these facilities amounts to 3.2 billion USD (Shelton, 2010, p. 4).

Angola also receives almost half (45%) of the total Brazilian aid for Africa. Since the mid-1970s, Brazil’s efforts have been concentrated on the Portuguese-speaking countries in Africa, namely Angola, Cape Verde, Guinea-Bissau, Mozambique and Sao Tome and Principe. Coincidentally, most of these economies are oil exporters, or have the potential to become oil exporters (United Nations, 2010, p. 42).

**Final conclusions**

The analysis leads to the conclusion that a new partnership („new” due to its new characteristic features and intensity, and not due to time frames) between developing regions is a fact, and provides a chance for a mutually beneficial co-operation in numerous areas (table 1). A challenge remains to use this chance by Africa as a region of the world, and by particular integration organisations operating in Africa. „Emerging” economies, including China in particular, have a strategy for Africa; while Africa’s strategy for China, India, and Brazil has a vague outline, both at a national, regional and continental level.

Vickers (2013, p. 679) said, that „Africa’s fragmentation into several nominally sovereign states places the continent at a strategic disadvantage in terms of bargaining power vis-à-vis the ‘mega-states’ of Brazil, China and India. It is now widely recognized that African countries require joint strategies and common positions, preferably at the AU or sub-regional level, if they are to negotiate effectively with the rising and established powers. The logic of a club approach is compelling, since a more coordinated African response can help avoid contradictory bargaining positions among African states or ward off incentives”.

As presented in the paper, the main problems of African integration are overlapping membership, divergence of political interests of particular members of a given group, and high regional protectionism. To these problems one should also add the fact that the majority of organisations do not fulfil the basic requirements of integration, i.e. lack of (even potential) complementarity of economic structures of member states, too low (despite economic growth) level of development (33 out of 48 least developed countries in the world lie in Sub-Saharan Africa), geographical barriers, lack of real will of integration and weak infrastructure. As far as the last element is concerned, „new” investments could be of significant support; however, under the condition that they would be carried
out in a correct manner, that is through tightening internal relations on the continent, and not only between African countries rich in raw materials and emerging economies.

References


