Africa trade and investment with BRIC nations in a changing economic landscape: the role of China

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By

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Abstract

This paper addresses the trade and investment cooperation between African states and BRIC countries in a dynamic economic environment. No doubt that given it size and open up strategy, China is playing an outstanding role in this cooperation. It appears as the top trading and investor partner among BRIC countries with Africa. Trade is mainly dominated by raw materials coming from Africa to BRIC and manufactured products going to Africa from BRIC. China has the most geographically diversified investment in Africa than other BRIC countries. However, Primary and tertiary sectors are the most targeted sectors for FDI to the continent, leaving behind sector with more labor content. Some policy recommendations are proposed in order for this cooperation to achieve the long term development goal of Africa.

Keywords: trade, investment, FDI, Africa, BRIC.

JEL Classification: F41, F63, O55

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I. Introduction

The changing global economy with some emerging markets economies coined as "BRIC", expanding at a faster space, has given birth to a new economic cooperation between African states and these growing emerging economies. To fuel their domestic production, these economies need raw materials which can be found in the African continent. On the other hand, cheap products from these growing nations with affordable labor costs have attracted attention of people in Africa living in large majority with thin disposal income. Hence, the growing ties between African states and BRIC countries. BRIC acronym and the way the world economy is changing should be made as clear as possible before going deeply into the analysis of bilateral trade and investment between BRIC nations and African states.

BRIC stand for Brazil, Russia, India and China; it has been coined by the investment banker Jim O'Neill of Goldman Sachs in 2001[1]. He predicted that the group would become an economic powerhouse over the next ten years. His prediction was not wrong since the group and particularly China has been growing faster and continues to grow with their resilience during the great recession. Some statistics can illustrate how BRIC countries have been growing to become an economic powerhouse. In 1980, only one BRIC country where ranked among the top ten largest economies (Brazil, 8th) in terms of GDP at current price in US dollar. In 1990, two BRIC countries where ranked among the top ten (Russia, 9th; Brazil, 10th). In 2000, two countries again where ranked among the top ten (China, 6th; Brazil, 9th) and finally in 2010, three BRIC countries appeared among the top ten largest economies (China, 2nd; Brazil, 7th; India, 9th). These figures and others that will be explained later show that Jim O'Neill had a vision to predict that the group will become an economic powerhouse. The resilience of the group has been tested during the financial crisis.

The resilience of these economies during the recent financial crisis has somewhat lessen the effects of the recent global financial crisis on the African economies. On top of all these facts, fiscal difficulties in advanced economies with structural unemployment has ever more draw the attention of policy makers in the African continent to tie their growth strategies on the

[1] See Jim O'Neill (2001)

development of BRIC nations. Particularly with the growing foreign direct investment coming from BRIC nations and some economic partnerships for the development of key infrastructures such as roads, telecommunication, energy, etc.

This growing tie between African states and BRIC nations although strengthening, goes without some fictions and questioning particularly on the African side about the economic implications of this relationship. For instance, growing appetite of BRICs nations for raw materials in Africa can be seen as not creating too much jobs for educated African people, all else equal. On the other hand, cheap products from BRICs nations are considered to be the main cause of the manufacture sector set back[2] in the continent with consequences of the lack of jobs creation particularly for youth.

Africa has always been a continent of natural resources for any partner having significant tie with the countries of the region. In addition, it has not been considered as market opportunity given its vulnerability to political instability, insecurity and economic mismanagement. Its large endowment in natural resources has attracted many countries in quest for natural resources to feed their growth engine. Over the last decade, trade between BRICs nations and Africa rose from 12 billion US dollar in 2000 to 203.740 billion US dollars in 2010. Total investment inflows to Africa rose from 9.62 billion US dollars to 43.58 billion US dollars over the same period. Chinese FDI to Africa rose from 75 million US dollars in 2003 to 2.51 billion US dollars in 2012 while India FDI to the region rose from 692 million US dollars in 2001 to 1.5 billion US dollars in 2005 and Brazil's FDI rose from 2 million US dollars in 2006 to 102 million US dollars in 2012. Russia's FDI in Africa has also expanded rapidly reaching a total level of 1 billion US dollars in 2011 (UNCTAD, 2013a; Mlachila and Takebe, 2011).

These figures show that profile of trade and investment between BRIC countries and Africa need to be highlighted in order to understand the role China is playing in this cooperation. Is China trading and investing more in Africa than other BRIC countries? Is trade and investment cooperation between BRICs and Africa particularly related to natural resources?

[2] Kaplinsky and Messner (2007)

These research questions are what we are going to answer in this paper. In order to understand trade and investment cooperation between BRIC nations and African states, this paper seeks to highlight some figures characterizing this south-south partnership. The rest of the paper is organized as follow: the first section presents some economic indicators; the second section addresses trade development between BRIC and African states, the third section rest on investment development between the two groups. Conclusion and policy recommendations close the paper.

II. Some selected economic indicators

To further understand bilateral trade and investment between BRIC countries and African states, it seems to be important to revisit some economic indicators. China has the world's largest population followed by India. Although China is the most populous country in the world, its population growth rate has been declined over the periods 1990-2010 due to China's one child policy. Population of the Sub-Saharan Africa (SSA) has grown by 30% over the period 1990-2000 and 28% between 2000 and 2010. This is the largest growth rate compared to other regions (table 1). A billion of African is a potential market for BRIC nations and the more than two billions could also be a potential market for African goods. We will see later if this population dividend is fully taken into account in bilateral trade between both parties.

Table 1: total population (in millions)

	1990	2000	2010
BRAZIL	146.59	171.28	193.25
RUSSIA	147.70	146.30	142.90
INDIA	847.44	1 029.19	1 194.62
CHINA	1 143.33	1 267.43	1 340.91
BRIC	2 285.06	2 614.20	2 871.69
SSA	512.82	666.88	854.27
WORLD	5 272.35	6 079.75	6 840.51

Source: WEO and WDI

China and India are ranked the first and second largest BRIC as well as world's first and second largest countries in terms of population. In 2010, China's population represented 47% of the BRIC population while India represented 42%. The SSA's population represented 29.75% of the total population of the group in 2010 against 25.51% in 2000. With respect to the world's population, BRIC population represented 42%, China 19.6% and SSA 12.5% in 2010 (table 2). Population of the BRIC is dominated by China and India with the total share of 88% of the BRIC population. China's population in percentage of BRIC total population has been declining due the one child policy while India's population is rising. But china is still the most populous country in the world.

Table 2: total population in % of BRIC and world population

	population (% of BRIC)			population (% of world)		
	1990	2000	2010	1990	2000	2010
BRAZIL	6	7	7	2.8	2.8	2.8
RUSSIA	6	6	5	2.8	2.4	2.1
INDIA	37	39	42	16.1	16.9	17.5
CHINA	50	48	47	21.7	20.8	19.6
BRIC				43.3	43.0	42.0
SSA	22.44	25.51	29.75	9.7	11.0	12.5

Source: WEO, WDI and author's calculation

In 2010, the five top largest countries in Sub-Saharan Africa in terms of population were[3]: Nigeria (21.18%); Ethiopia (11.26%); Democratic Republic of Congo (9.56%); South Africa (6.91%); Kenya (5.55%). This factor is not the minor one in bilateral trade between nations.

Another key indicator is the gross domestic product (GDP). This indicator measures the total wealth of a nation. Its use for the purpose of comparison between nations is surrounded by critics. For comparison purpose, GDP in purchasing power parity is considered for the analysis.

China has always had the largest GDP among BRIC countries since 1990. Between 1990 and 2010, BRIC GDP grew more than seven-fold while that of SSA only grew by three-fold. The largest change comes from China and India with GDP multiplied by 11 and 5.5 respectively over the two decades. The world's GDP has only tripled over the two decades. Once again, China has dominated the group with GDP based on purchasing power parity (table 3).

Table 3: GDP based on PPP valuation

[3] Number in parenthesis is the country's population to the region in 2010.

	GDP based on PPP in billions of USD			GDP per capita based on PPP		
	1990	2000	2010	1990	2000	2010
BRAZIL	789.162	1,236.30	2,167.46	5383.369	7218.024	11215.68
RUSSIA	n/a	1,122.59	2,222.11		7673.196	15550.11
INDIA	762.113	1,606.52	4,129.97	899.314	1560.964	3457.134
CHINA	913.665	3,019.51	10,039.90	799.126	2382.384	7487.378
BRIC	2464.94	6984.92	18559.45	1078.72	2671.917	6462.909
SSA	572.645	874.709	1,829.60	1244.777	1412.843	2282.922
WORLD	23,809.85	42,874.99	75,099.38	4515.981	7052.094	10978.63

Source: WEO

In terms of GDP per capita, the measure is based on purchasing power parity. The most striking observation is the fact that SSA had a per capita GDP higher than that of BRIC in 1990, but twenty years later, BRIC has surpassed the region. Over the two decades (1990-2010), per capita GDP based on PPP of the group has increased six-fold while that of SSA only registered a marginal increase, less than a double of the level observed in 1990. In 2010, Brazil had the largest GDP per capita followed by Russia, China and India. From 1990 to 2010, China has registered the largest increase of GDP per capita among the BRIC's countries. But it is ranked at the third position after Russia and Brazil.

The share of SSA's GDP in total BRIC has declined showing that BRIC's GDP has been growing faster than that of SSA. Among BRIC, China has registered significant increase over the two decades (1990-2010). Going through the figures presented in table 2 below, one could notice that the shares of other members of BRIC have declined over the two decades while that of China has increased. China weights 54.10% of the BRIC total GDP in 2010 compared to 37.07% in 1990. SSA's GDP in percentage of BRIC total GDP has declined over the two decades. From 23.23% of BRIC GDP in 1990, the region represented only 10% of BRIC total GDP in 2010. Compared to the world's GDP, the share of SSA's GDP in world total has remained stable around 2% while that of BRIC has been growing from 10.35% in 1990 to 24.71% in 2010. The share of China's GDP in percentage of the world's GDP has been growing tremendously over the two decades. From 3.84% in 1990, China's GDP in 2010 represented 13.37% of the world total GDP. The share of India's GDP to the world's GDP has also increased from 3.20% in 1990 to 5.5% in 2010 (table 4).

Table 4: GDP based on PPP valuation (in US dolllar)

	GDP (% of BRIC)			GDP (% of world)		
	1990	2000	2010	1990	2000	2010
BRAZIL	32.02	17.70	11.68	3.31	2.88	2.89
RUSSIA	n.a	16.07	11.97		2.62	2.96
INDIA	30.92	23.00	22.25	3.20	3.75	5.50
CHINA	37.07	43.23	54.10	3.84	7.04	13.37
SSA	23.23	12.52	9.86	2.41	2.04	2.44
BRIC				10.35	16.29	24.71

Source: WEO and author's calculation

China and India have shown significant resilience during the global financial crisis that started in 2008. This resilience was characterized by the strong real GDP growth rate registered during that period. In 2009 when the world real GDP growth rate shrank by 0.4%, China and India grew by 9.2% and 8.5% respectively. Given the growing tie between these two economies and Africa, Sub-Saharan Africa region grew by 2.6%. During the same period, Brazil and Russia registered a negative growth rate, -0.3% and -7.8% respectively.

Table 5: real GDP growth rate (%)

	1996-2005	2006-2010	2011	2012	2013
WORLD	3.7	4.6	3.9	3.2	3
BRAZIL	2.4	5.7	2.7	1	2.3
CHINA	9.2	11.22	9.3	7.7	7.7
INDIA	6.4	8.36	6.6	4.7	4.4
RUSSIA	3.8	6.6	4.3	3.4	1.3
SSA	4.7	5.46	5.5	4.9	4.9

Source: WEO

The recovery started in 2010 has been quickly slowed by the unfolding euro zone debt crisis. Fiscal stimulus packages put in place during the global financial crisis by advanced economies and some emerging markets have contributed to avoid the worse. Monetary easing in advanced economies has helped to weather the global slowdown. As shown in table 2, China is again the fast growing economy among the BRIC members. This enviable growth mainly driven by investment and exports rather than consumption has helped to get many Chinese out of poverty.

China has achieved significantly high investment in percentage of GDP over the last two decades. A $586 billion[4] injected by China during the global financial crisis has certainly contributed to accelerate investment to nearly 50% of GDP. Such a high level of investment is expected to slow down with ongoing rebalancing from investment towards consumption led-growth.

While the world's investment grew slowly over the two decades, SSA registered significant investment growth over the second decade. This could be driven by the strong economic growth achieved by the region over that period. Empirical literature reports that strong economic growth leads to high investment[5]. BRIC as a group has achieved strong investment over the second decade (2000-2010). This strong investment is mainly driven by China and India with 48.22% and 36.5% respectively.

Table 6: investment (% GDP)

	1990	2000	2010
BRAZIL	18.35	18.25	20.24
RUSSIA	31.91	18.69	21.71
INDIA	26.03	24.26	36.50
CHINA	36.14	35.12	48.22
BRIC	28.11	24.08	31.67
SSA	16.93	17.21	22.25
WORLD	22.55	21.62	19.25

Source: WEO and WDI

Even though we have already taken into account price changes in the output growth earlier in the analysis, it is important to assess the price changes in the BRIC countries as well as SSA region

[4] The New York Times, November 9th 2008.
[5] See Il Houng, Murtaza and Liu (2012)

and the world during period considered. Among BRIC countries, only Brazil experienced hyperinflation in 1990. By contrast, India and SSA experienced a double-digit inflation during that period. China stands out as a country that did not experienced double-digit inflation. Courageous reforms have been taken by Brazilian authorities to fight against inflation[6]. In 2000, the world's inflation stabilizes at 4.5% while SSA and Russia felt to achieve sustained inflation rate. China was threatened by deflation and Brazil finally got down to single digit inflation rate (table 7).

The food prices surge in 2008 has certainly contributed to inflation pick up in 2010 particularly in developing economies. India achieved a double-digit inflation in 2010 with other BRIC countries registering not a double-digit inflation but a significant inflation rate.

Table 7: inflation (%)

	1990	2000	2010
BRAZIL	1,621.0	6.0	5.9
RUSSIA		20.2	8.8
INDIA	14.2	2.5	10.0
CHINA	4.3	0.9	4.6
SSA	19.5	18.1	7.2
WORLD	25.8	4.5	4.2

Source: WEO

Another key macroeconomic variable to assess before focusing into the main purpose of this paper is the trade openness. This indicator is calculated as the sum of imports and exports in percentage of GDP. Using this instrument, SSA is the most opened region compared to BRIC member states. Is this openness mainly driven by strong exports of primary commodities? Among BRIC's countries, Brazil is the least opened economy over the period.

Table 8: trade (% GDP)

	1990	2000	2010
BRAZIL	15.16176	21.71987	23.29968
RUSSIA	36.1068	68.09434	51.74908
INDIA	15.6828	27.38169	46.31871
CHINA	29.15922	44.24363	55.22717

[6] See Garcia, M. (1996) for more insight on Brazilian's hyperinflation.

SSA	51.86605	63.24375	61.8069
WORLD	38.76561	49.6079	55.85559

Source: WDI

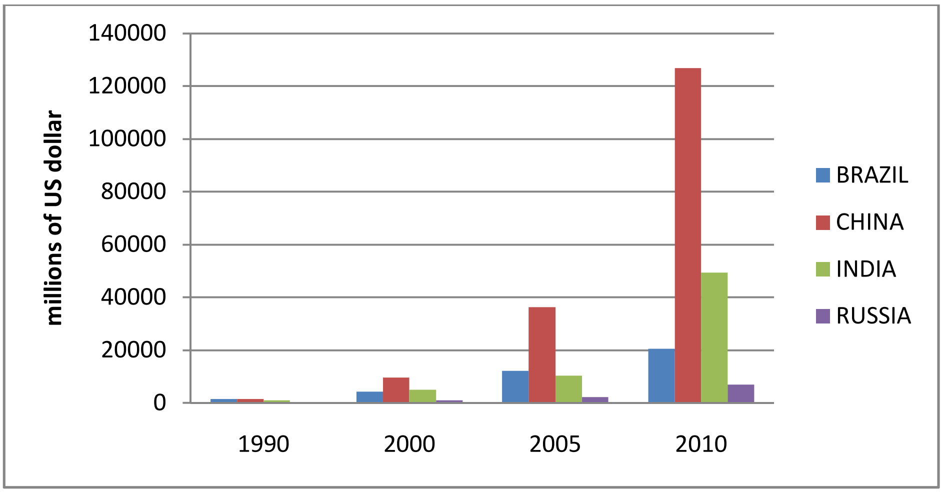
Significant move concerning trade percentage of GDP has been made by BRIC nations over the last two decades. With 15.16% and 15.68% of trade in percentage of GDP in 1990, Brazil and India reached a level of 23.29% and 46.31% respectively in 2010. China moved from 29.15% in to 55.22% over the same period. Although Russia made significant progress from 1990 to 2000, it registered a decline from 68.10% in 2000 to 51.74% in 2010 (table 8).

This section has reviewed some keys macroeconomic indicators. Among BRIC countries, China has registered impressive economic indicators over time. As the most populous country in the world, the second largest economy after the United States and the largest trading country, China is weighting more in BRIC influence in the world economy.

III. Bilateral trade flows between Africa and BRIC

Trade between BRIC nations and Africa has been growing over the past two decades. From a total of 4.013 US dollars in 1990, bilateral trade between the two groups reached a total of 203.740 billion US dollars in 2010. China stands out as a major player. With a total share of 38%, Chinese share to total BRIC trade with Africa reached 62% in 2010 (figure 1).

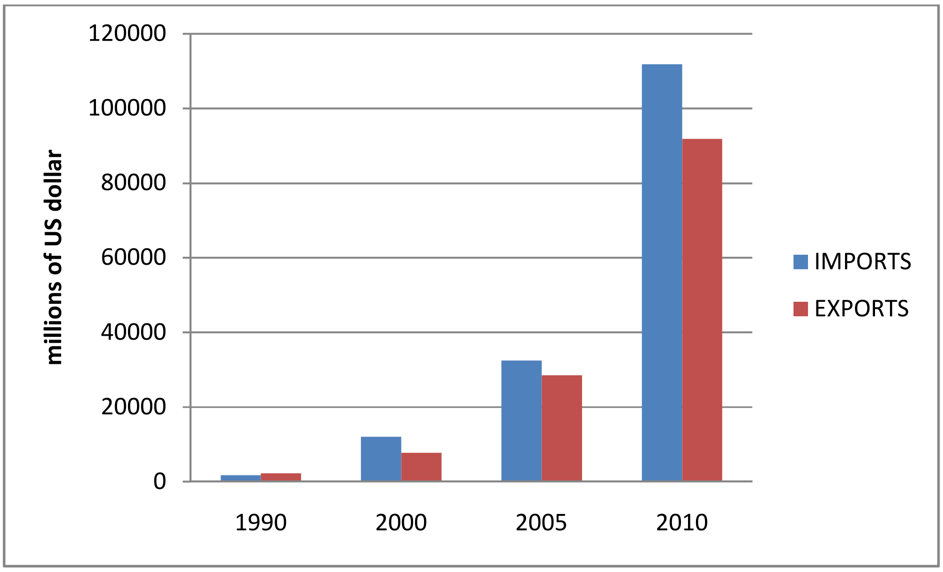
Figure 1: trade between BRIC and Africa



Source: Trade Statistics

Although Brazil's trade with Africa is on the rise from 1.477 billion US dollars in 1990 to 20.532 billion US dollars in 2010, its share to total BRIC trade with the region has been stifled by dominating role of China. In 2010, Brazil represented only 10% of the total BRIC trade to Africa. Russia has always registered a very weak trade with Africa. Largely endowed in natural resources, Russia does not need to source primary commodities from Africa.

Figure 2: BRIC imports and exports from/to Africa

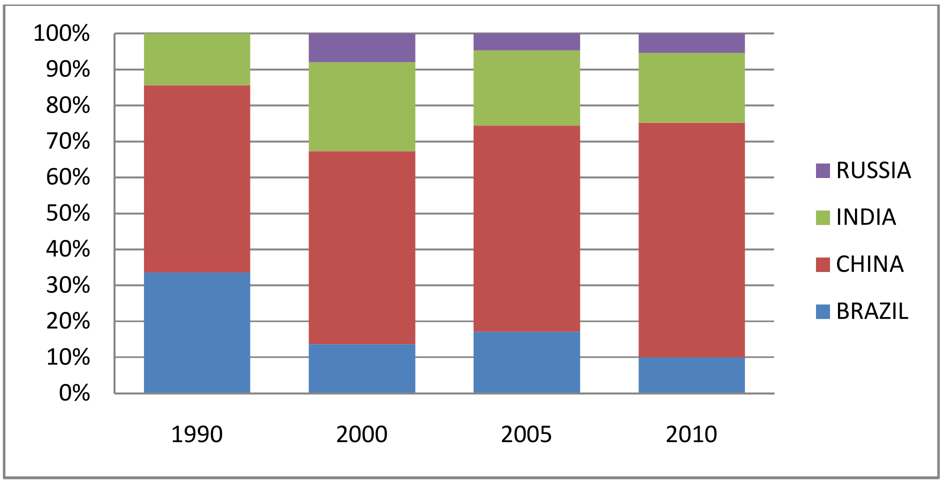


Source: Trade Statistics and UNCOMTRADE

- **Exports between Africa and BRIC**

BRIC exports to Africa over the last two decades have been dominated by China. In 1990, Brazil ranked as the second top exporter to Africa after china. India made a significant move to be the second top exporter to Africa among BRIC countries. Chinese exports to Africa represented 65% of the BRIC total exports to the region. China and India dominated exports to Africa in 2010 with a total share of 84, 6% (figure 3).

Figure 3: exports from BRIC countries to Africa



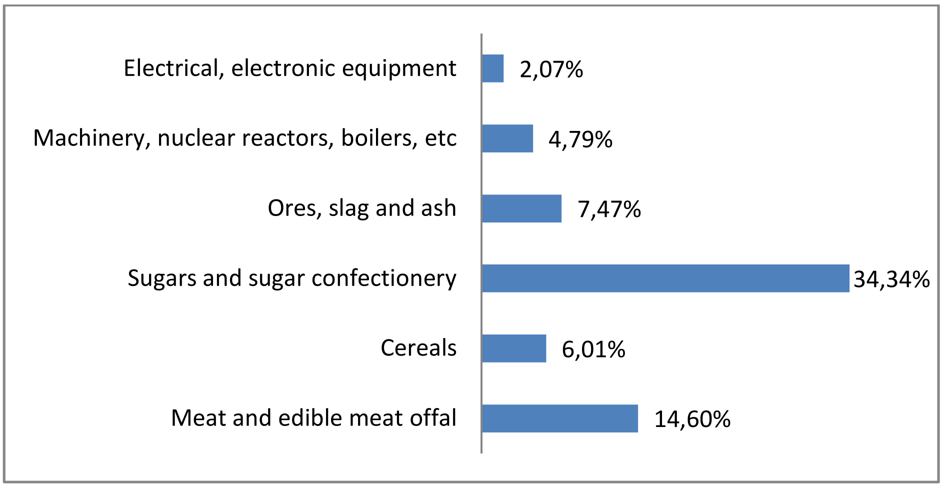
Source: Direction of Trade Statistics (DOT)

- **Exports structure between BRIC countries and Africa**

Exports from Brazil to Africa are dominated by sugars and sugar confectionery in 2010. These products represented 34.34% of the total Brazil's exports to Africa. These products have been the most exported goods by Brazil to Africa since 2009. Meat and edible meat offal and ores, slag and ash are the respectively the second and the third most exported products by Brazil to Africa. Electrical and electronic equipment only represent 2.07% of the total exports (figure 4).

Brazil's exports to the world in 1995 were dominated by foods items (28.5%), ores, metals, stone and non monetary gold (11.3%) and manufactured products (52.8%) against foods items (31.8%), fuels (10.9%), ores, metals, stones and non monetary gold (17.3%) and manufactured (89.1%) in 2012 (UNCTAD, 2013b).

Figure 4: structure of Brazil's exports to Africa in 2010 (% of total)

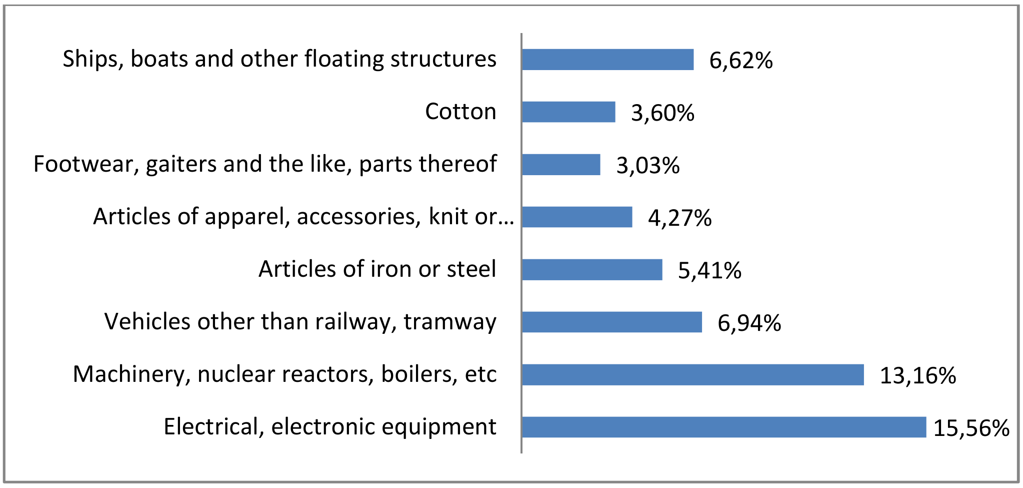


Source: UNCOMTRADE

Electrical, electronic equipment are the most exported product of China to Africa. In 2010, exports of these products represented 15.56% of the total exports from China to Africa. The most striking observation is the fact that China's cotton exports to Africa represented 3.60% (figure 5).

China's exports to the world were dominated by manufactured products with total share of 83.6% in 1995 and 93.8% in 2012. Exports of foods items declined from 8.3% in 1995 to 2.7%. Overall, all other items have declined in China's exports from 1995 to 2012, only manufactured products have risen. (UNCTAD, 2013b).

Figure 5: structure of China's exports to Africa in 2010 (% of total)

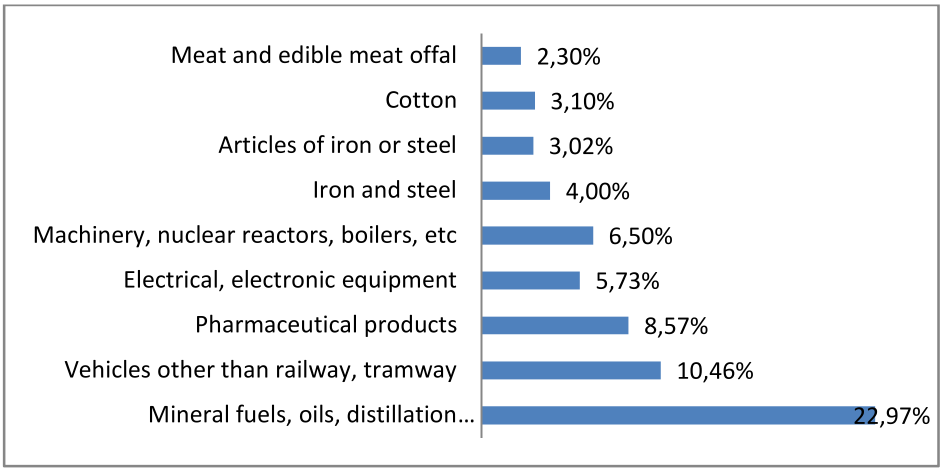


Source: UNCOMTRADE

India's exports to Africa were mainly concentrated on mineral fuels, oils and distillation products with a total share of 22.97% in 2010. Vehicles other than railway, tramway and pharmaceutical products are the second and third exports from India to Africa with a total share 10.46% and 8.57% respectively in 2010 (figure 6).

India's exports to the world have been dominated by foods items (18.7%), ores, metals, stone and non monetary gold (18.6%) and manufactured products (58.2%) in 1995 against foods items (10.5%), fuels (18.8%), ores, metals, stones and non monetary gold (11.3%) and manufactured (54.4%) in 2012 (UNCTAD, 2013b).

Figure 6: structure of India's exports to Africa in 2010 (% of total)

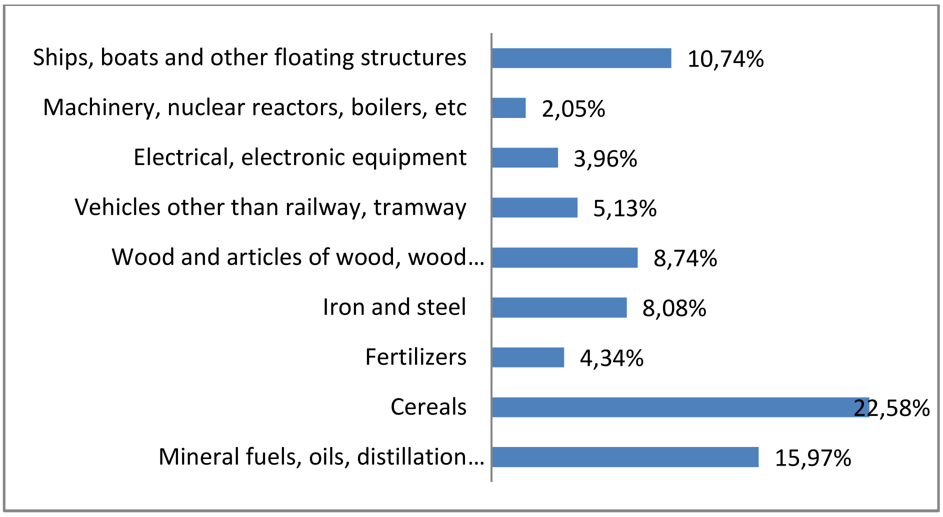


Source: UNCOMTRADE

Russia's exports to Africa were mainly concentrated on cereals which represented 22.58% of total exports in 2010. Mineral fuels, oils, distillation are the second most exported products to Africa in 2010 with a total of 15.97%. These products have been the main exported products from Russia to Africa since 2009(figure 7).

Russia's exports to the world 1995 have been dominated by fuels (43.1%) ores, metals, stone and non monetary gold (9.9%) and manufactured products (26.1%) against fuels (70.3%) and manufactured (14.2%) in 2012 (UNCTAD, 2013b).

Figure 7: structure of Russia's exports to Africa in 2010 (% of total)



Source: UNCOMTRADE

Analysis of exports from some selected African economies

Five African (Cameroon, Côte d'Ivoire, Nigeria, South Africa and Kenya) countries are selected to get more insight on their exports structure. Africa's largest, Nigeria, economy rely more on the exports of fuels which represented 91.7% of its total exports in 1995 against 94.8% in 2012. Manufactured products only represented a marginal fraction of total exports 2.1% in 2012 against 1.2% in 2005 (UNCTAD, 2013b).

Conversely, Africa's second largest economy, South Africa, has a more diversified exports structure. South Africa exports to the world were dominated by foods items (7%), fuels (9%), ores, metals, stones and non monetary gold (32.8%) and manufactured products (33%) in 2012. Between 2005 and 2012, manufactured products declined from 45.2% of the total exports to 33%. Although all sub-items were hit, other manufactured products were main the sub-item whose registered the sharp decline (from 19.8% to 11.4%). It can be premature to conclude this poor performance is attributed to trade offensive by emerging economies, particularly China, in Africa (Kaplinsky and Messner, 2008). Exposure of South African economy to European Economies which were hardly hit during the financial crisis could explain this slowdown.

Kenya's exports are dominated by foods items and manufactured products. In 2012, these items represented 42.5% and 35.7% against 54.7% and 28.9% respectively in 1995. The share of agricultural raw materials has been growing from 8.3% in 1995 to 12.9% in 2012. The share of fuels in total exports was declining against the rise of ores, metals and non monetary gold (UNCTAD, 2013b).

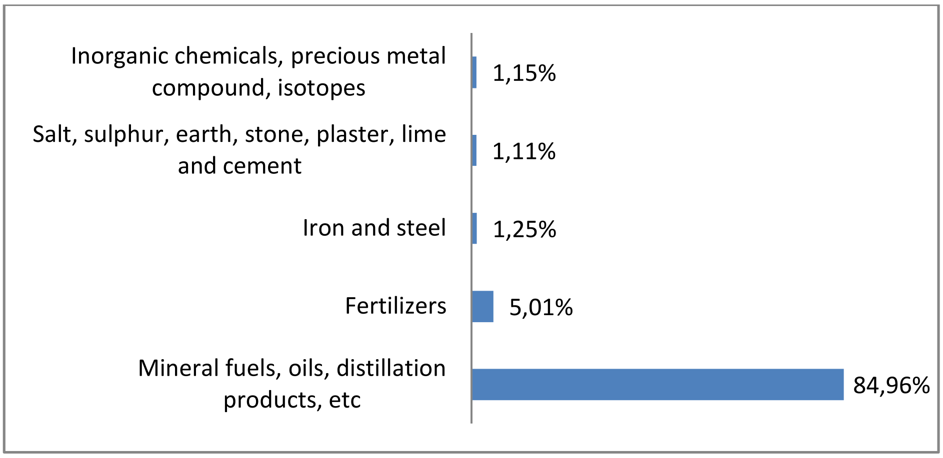
The two biggest francophone countries in central (Cameroon) and west (Côte d'Ivoire) Africa showed different exports patterns over the period. In 2012, Cameroon's exports were mainly dominated by fuels (48.3%), foods items (19.5%) and agricultural raw materials (17.8%) whereas Côte d'Ivoire's exports were dominated by fuels (32.7%) and foods items (38.5%). Manufactured products represented only 11.8% of the total exports for Cameroon and 12.5% for Côte d'Ivoire. Compared to 1995 and 2005, exports of these products are on the risen trend for Cameroon whereas it is on declining trend for Côte d'Ivoire. This poor performance of Côte d'Ivoire's manufactured exports could be attributed to the political unrest.

- **Imports between Africa and BRIC**

Brazil's imports from Africa are mainly dominated by primary commodities such as mineral fuels, oil, and distillation products. These products represented 84.96% of the total imports of Brazil in 2010 from Africa. Fertilizers rank as the second most imported products in 2010. This momentum has been seen since from 2009 to 2013. This is a sign that Brazil is also interested in natural resources coming from Africa (figure 8).

Overall, Brazil's imports in 2012 were mainly dominated by manufactured products (73.1%) and fuels (18%). Compared to 1995, shares of these items in the total's imports have increased from 71.1% for manufactured products and 12.1% for fuels. Sub-items of manufactured products such as chemical products to which belong fertilizers have risen from 15.2% in 1995 to 18.9% in 2012 (UNCTAD, 2013b).

Figure 8: structure of Brazil's imports from Africa in 2010 (% of total)

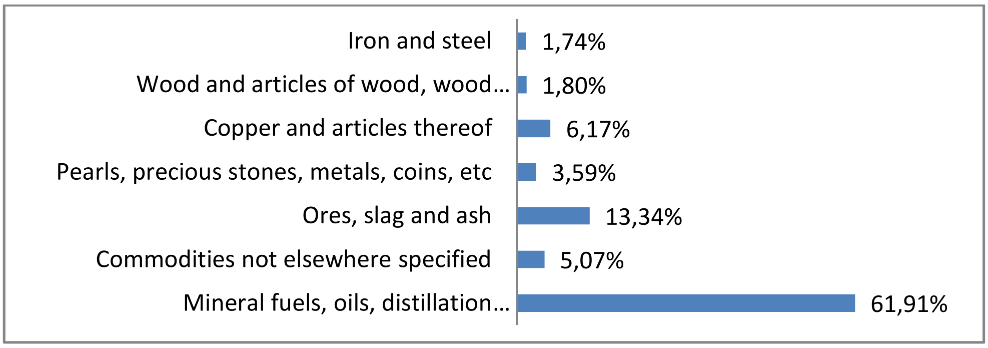


Source: UNCOMTRADE

China's imports from Africa are dominated by primary products such as mineral fuels, oils, ores, precious stones, metals, etc. In 2010, mineral fuels, oils and distillation products represented 61.91% of the total china's imports from Africa. These products have been dominated china's imports from Africa over the past five years. Compared to Brazil, China has a more diverse primary products coming from Africa (figure 9).

The total Chinese imports from the world were dominated in 2012 by manufactured products (57.9%), fuels (17.2%) and ores, metals and non monetary gold (12.5%). It is important to mention that only two products, fuels and ores, metals and non monetary gold have risen while manufactured products have declined in the total imports over time. In 1995, these products represented 3.9% for fuels, 4.6% for ores, metals and non monetary gold and 78.1% for manufactured products (UNCTAD, 2013b).

Figure 9: structure of China imports from Africa in 2010 (% of total)

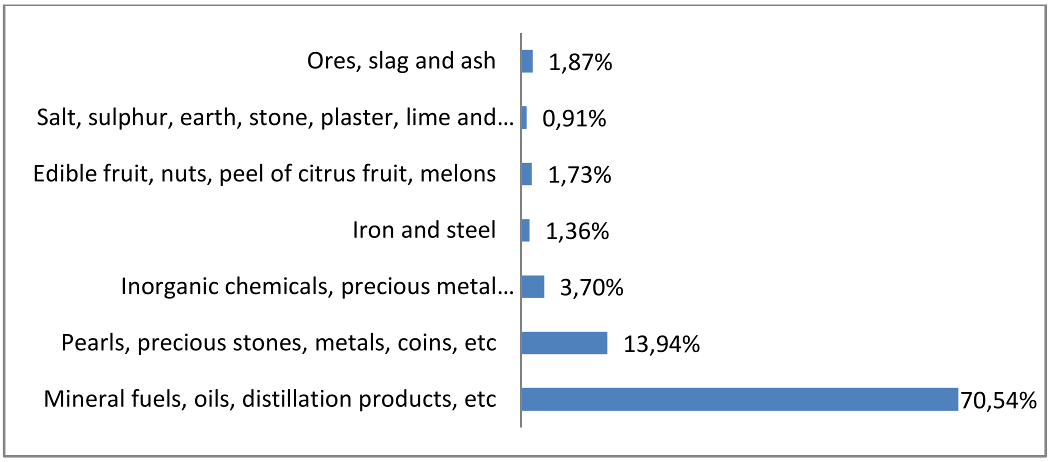


Source: UNCOMTRADE

India's imports from Africa are also dominated by primary products such as mineral fuels, oils, distillation products, precious stones and metals. In 2010, oils represented 70.54% of its total imports from Africa. Precious stones and metals were the second main imported products by India from Africa in 2010 (figure 10).

In 2012, the overall imports of India from the world have been dominated by fuels (39%), manufactured products (35.9%), ores, metals and non monetary gold (17.7%). Compared to 1995, we notice significant decline of manufactured products (56%) and a risen share of fuels (14.2%) in the total imports (UNCTAD, 2013b).

Figure 10: structure of India's imports from Africa in 2010 (% of total)

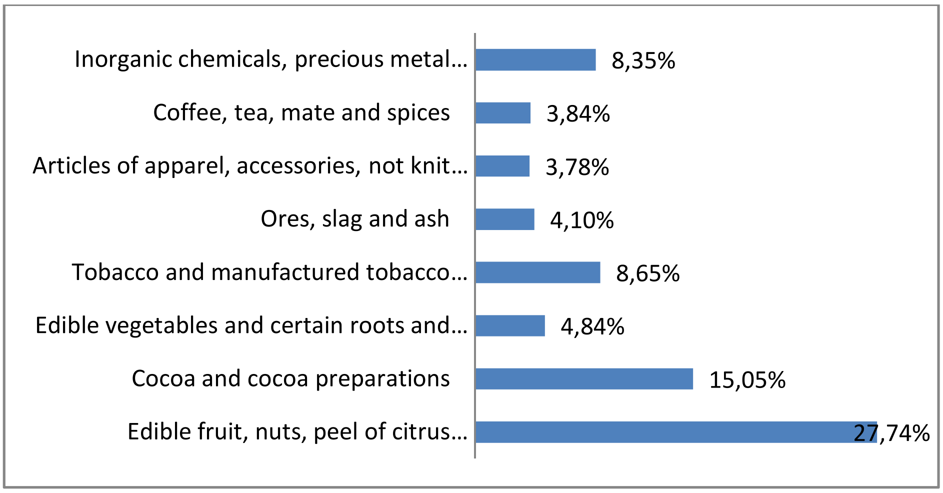


Source: UNCOMTRADE

Compared to Brazil, China and India, Russia has a more diversified products coming from Africa. Agricultural products are the main Russia's imports from Africa. Fruits and nuts are the most imported products from Africa to Russia. In 2010, these products represented 27.74% of the total imports from Africa. Cocoa and precious metals are the second and third most imported products from Africa by Russia (figure 11).

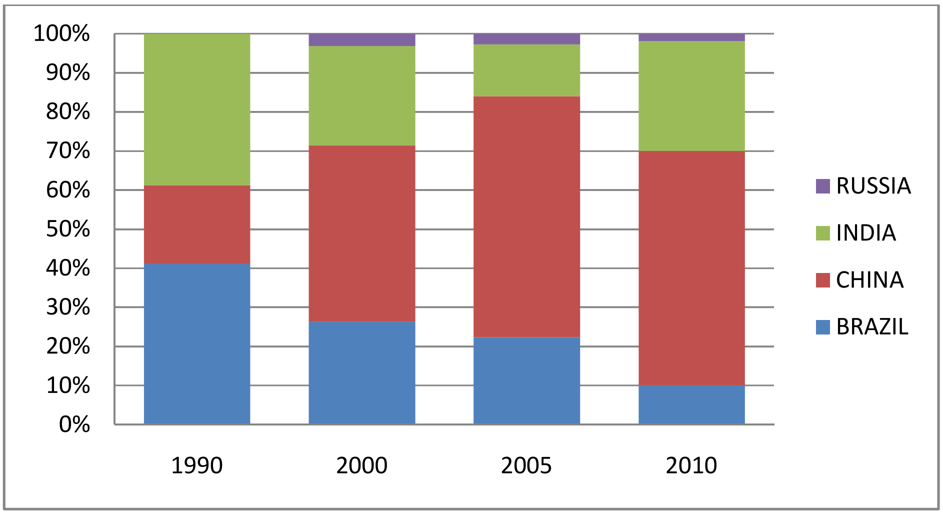
Foods items (12.8%) and manufactured products (80.9%) are the most imported products on 2012. Compared to 1995, foods items (19.9%) are declining while manufactured products (48.8%) are rising (UNCTAD, 2013b). As oil exporter, Russia does not rely on oil imports to fuel its growth.

Figure 11: structure of Russia's imports from Africa in 2010 (% of total)



Source: UNCOMTRADE

Figure 12: imports to BRIC from Africa



Source: Trade Statistics

BRIC imports from Africa over the last two decades have shown significant move in terms of countries' share in total imports. In 1990, India and Brazil were the top two importers from Africa with respectively 40% of the total imports. In 2000, China has made significant move with 45% of BRIC total imports from Africa. Its share to total BRIC imports reached 62% in 2005. China and India dominated imports from Africa in 2010 with a total share of 88% (figure 12).

Analysis of some selected African economies imports

Five African (Cameroon, Côte d'Ivoire, Nigeria, South Africa and Kenya) countries are selected to get more insight on their imports structure. Imports of selected countries are dominated by manufactured products, fuels and foods items. Only South Africa has foods items representing less than 10% of the total imports.

Trade between BRIC nations and Africa is characterized by exports to largest African economies in terms of population and GDP (table 9) and imports dominated by natural resources. This trade patterns validate resources seeking and markets access already mentioned in the literature for China's case[7] as the real motivation of these emerging economies in Africa.

IV. Investment flows between Africa and BRIC

In this section, we present the foreign direct investment inflows and outflows for BRIC and African countries. Sectoral decomposition of FDI going out of BRIC is also presented. Constraints on getting reliable data on sectoral decomposition of FDI in Africa limit our analysis on some available reports and studies.

Among developing countries, Africa has attracted a little share of FDI. This assertion is highlighted by some figures. The total average FDI inflows in percentage of the world FDI received over the period 2000-2012 stood at 2.8% for developing Africa, 10.8% for developing America and 21.5% for developing Asia. Over the same period within developing world, Africa's share represented 7.9% compared to 30.9% for America and 61.2% for Asia. Compared to previous decade (1980-1989), Africa's share to the world and developing economies has registered a little rise[8]. Some factors may explain this wave of FDI, although little, to flows to Africa. Factors such as abundant natural resources, better macroeconomic conditions, favorable business and investment climate and market size (Montfort and Misa, 2011; Morisset, 1999; Asiedu, 2006) seem to be the root of this attractiveness.

In 2012, the top five Africa's host countries of FDI are: Nigeria (16.48%), South Africa (10.72%), Ghana (7.72%), Morocco (6.65%) and Egypt (6.56%)[9]. With respect to average flows

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[7] See Gu (2009)

[8] FDI database, www.unctad.org/fdistatistics

[9] Value in parenthesis is the share to total inflows to Africa.

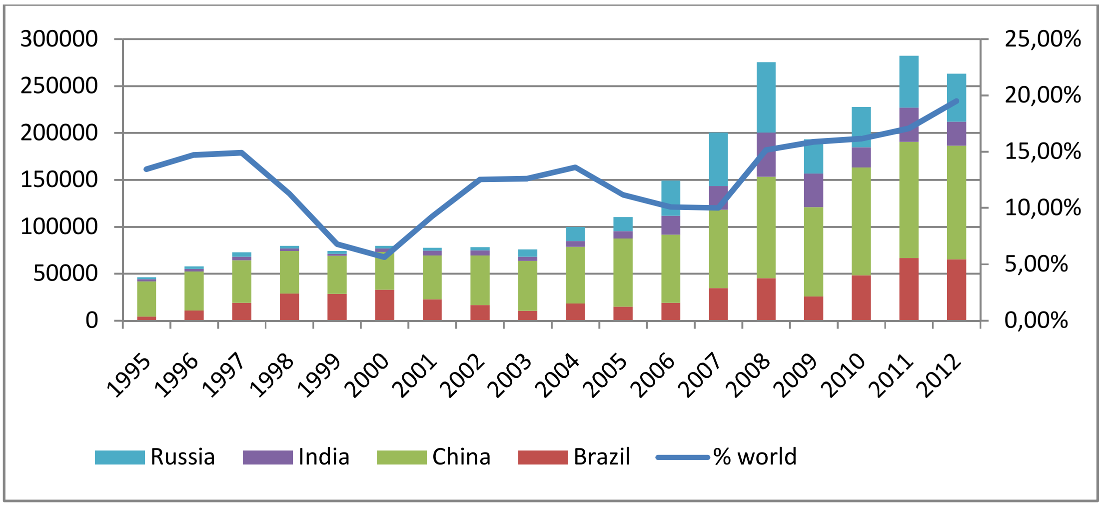
over the period 2000-2012, Nigeria still remains at the top followed by Egypt and South Africa. Nigeria combines market size and natural resources endowment, hence its position as the top recipient country[10].

- **Inward foreign direct investment in Africa and BRIC**

China is by far the largest recipient of FDI among the BRIC countries. Its share to the total BRIC inflows is around 40% to 50% over the period 2007-2012. China has maintained its 2011 rank as the second largest recipient country after the United States (UNCTAD, 2013a).

China is still dominating FDI outflows among BRIC countries over the period 2008-2012. However, Russia was the second investor among the group in 2008. Overall, China and Russia dominated FDI outflows from BRIC over the period 2007-2012 with a total share of 85.34% on average. In terms of geographic coverage in low income countries, Chinese investment is the most diversified (Mlachila and Takebe, 2011).

Figure 13: FDI inflows in BRIC countries (millions of US dollars)



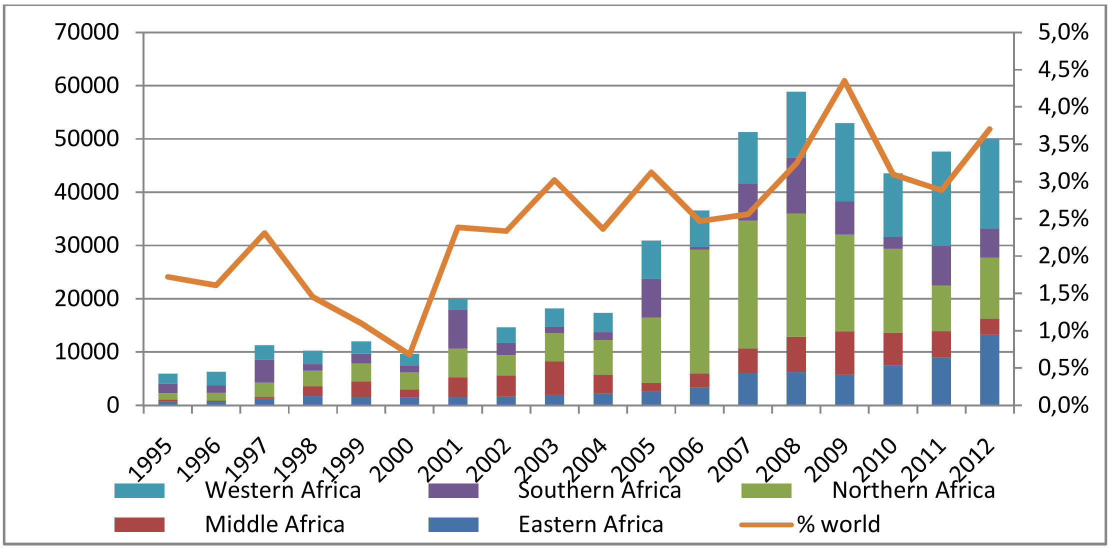
Source: UNCTAD

Africa's share of world FDI inflows around 3.31% in average over the period 2007-2012 is very low compared to other developing regions. Over the same period, developing countries in Asia and Latin America have received 25.28% and 13.18% of the world's FDI inflows respectively. It

[10] FDI inflows in Nigeria are mainly directed to the extractive industry such as oil (Akinlo, 2004).

is important to point out that China and India are included in the ASIA FDI inflows and Brazil is counted in the Latin America inflows. The share of China and India combined in the total Asia's inflows stood at 36% while Brazil's share in the Latina America's inflows hovered 23% over the period considered[11] (UNCTAD, 2013a).

Figure 14: FDI inflows in Africa (millions of US dollars)



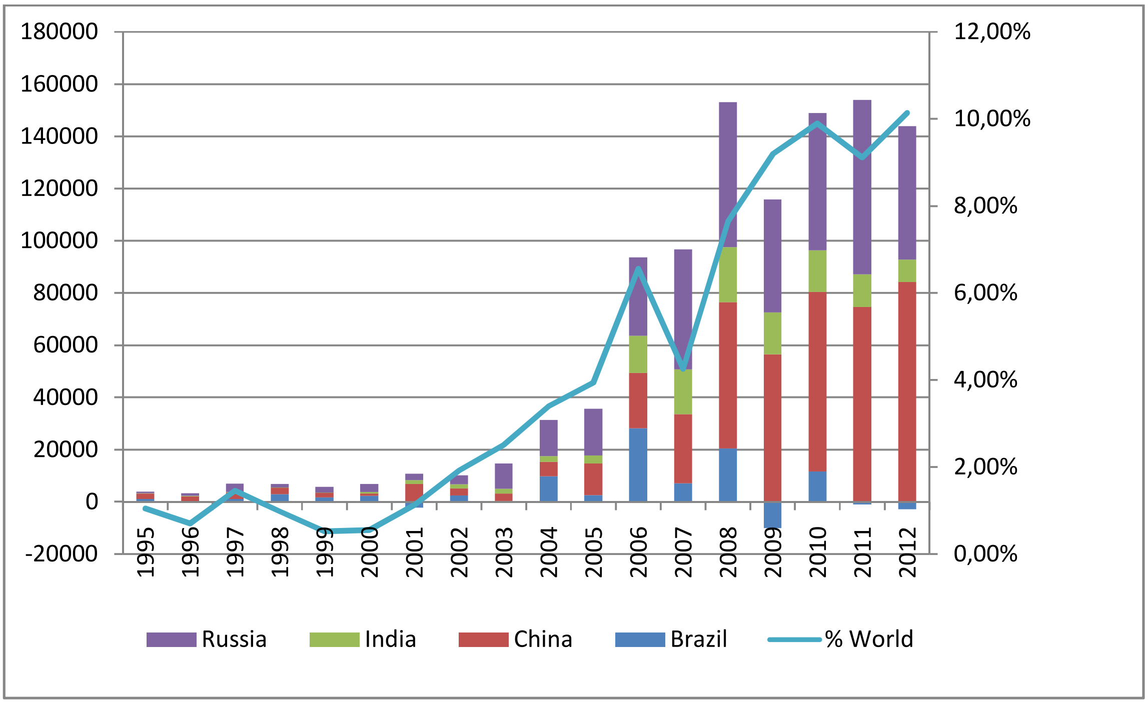
- **Outward foreign direct investment in Africa and BRIC**

As shown earlier, BRIC nations have become a major player of investment flows in the world expanding rapidly. With an outward flows of less than $7 billion in 2000 ($6.88 billion), the group achieved an outward flows of $141.039 billion in 2012 representing 10.14% of the world's total outflows up from 2% in 2002.

China and India's FDI to LIC countries is spread across many regions while other BRIC investments to LIC are mainly concentrated in their region (Dabbla-Norris et al. 2012).

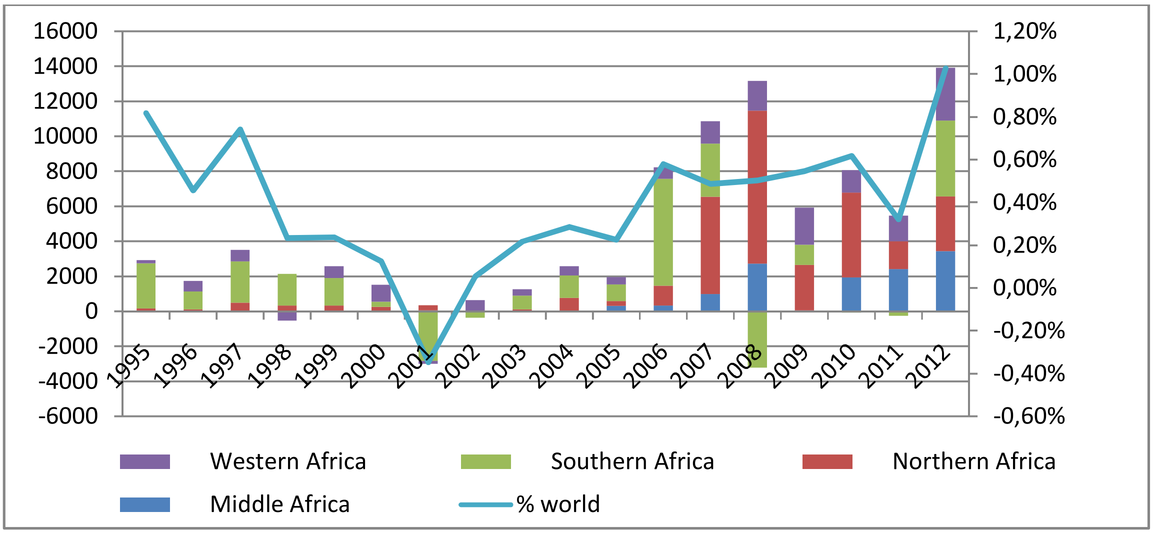
[11] These figures come from the World Investment Report (WIR) 2013 of the United Nations Conference on Trade and Development (UNCTAD).

Figure 13: FDI outflows in BRIC countries (millions of US dollars)



Source: UNCTAD

Figure 13: FDI outflows in Africa (millions of US dollars)



Source: UNCTAD

- **Investment flows from BRIC to Africa**

Brazil's FDI flows to Africa rose from 2 million US dollars in 2006 to 102 million US dollars in 2012. Latin America and Caribbean is the first destination of Brazil's FDI with a share of 93% in 2012. Brazil's FDI stock in Africa rose from 433 million in 2001 to 1.17 billion US dollars in 2012. These stocks were mainly concentrated in Angola, Liberia, Mauritius, Mozambique and South Africa. Brazil's FDI stock in Africa represented only 1.1% of the total stock in developing countries. Although Africa attracted a small share of Brazil's FDI stock, the average growth rate has been very high over the period[12].

Chinese FDI flows to Africa rose from 75 million US dollars in 2003 to 2.51 billion US dollars in 2012. Africa has attracted only 3.6% of the total Chinese FDI flows to developing countries with 87.6% going to Asia in 2012. These flows are mainly concentrated in Algeria and Egypt for North Africa and Angola, Democratic Republic of Congo (DRC), Nigeria, Zambia and Zimbabwe for SSA. Chinese FDI stock in Africa rose from 491 million in 2003 to 21.73 billion US dollars in 2012 with South Africa, Zambia, Nigeria, Angola and DRC the largest recipient countries in Sub-Saharan Africa and Algeria and Sudan in North Africa. Although Africa has

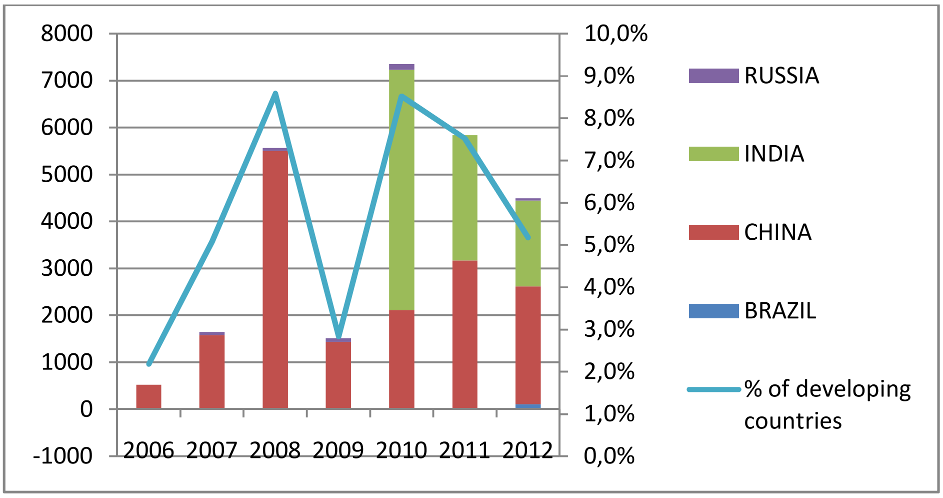
[12] www.unctad.org/fdistatistics

attracted a small share of Chinese FDI stock, the average growth has been very high over the period 2003-2012.

India's FDI flows to Africa in 2012 represented 1.8 billion US dollars with 96% going to Mauritius. Africa's share with respect to total flows going to developing countries stood at 33% in 2012 compared to 41% in 2010. India's in Africa registered a slight rise from 57 billion US dollars in 2010 to 57.9 billion US dollars in 2012, particularly concentrated in Mauritius which also has important FDI going to India. Asia is also the first destination of India's FDI with the South-East Asia ranking as the top recipient sub-region.

Although on the declining trend, Africa only receives a small portion of FDI flows from Russia. In 2012 for example, Africa attracted 0.5% of the Russia's FDI flows going to developing countries. These flows were particularly concentrated in Seychelles. With respect to stock, Liberia received the largest stock of Russia's FDI in Africa since 2010. Latin America and Caribbean is the top recipient region for Russia's FDI stock. Asia accounts also among the top recipient region for FDI flows from Russia.

Figure 14: BRIC FDI flows to Africa (millions of US dollars)



Source: UNCTAD and author's calculations

Despite the lack of India's data on FDI flows, China and India were the largest source of FDI flows for Africa. The total BRIC FDI flows to Africa represented 5.7% in average over the period 2006-2012 (figure 14). Compared to other BRIC countries, China has the most diversified

FDI destination in Africa. Cultural legacy explains FDI flows to Africa for some BRIC countries, particularly for India and Brazil.

- **Sectoral direct investment in Africa and BRIC**

In 2012, Brazil's FDI outflows were particularly directed towards tertiary sector with 49.63%. The primary and secondary sectors followed respectively with 8.89% and 41.48%. Industries such as finance (33%) for tertiary sector, food, beverages and tobacco (11%) for secondary sector and mining (6.2%) were the most targeted.

Chinese FDI outflows in 2011 were mainly directed towards tertiary and primary sectors with respectively 70% and 20.4%. Secondary sector only represented 9.4%. Industries particularly targeted were: business activities (38.9%), wholesale and retail trade (13.8%), and finance (8.1%) for tertiary sector; mining (19.4%) and agriculture (1.1%) for primary sector.

In 2011, India's FDI outflows were particularly directed towards tertiary (65.8%) and secondary (28.8%) sectors. Primary sector only represented 4.5%. Industries such as finance (28.8%) and transport (18%) were the most targeted[13].

Natural resources endowment has been identified as a pull factor for FDI attractiveness in Africa for China's case (Montfort and Misa, 2011). Natural resources quest has also been identified as the main motive for the largest FDI flows in Africa coming from other BRIC countries. .

Statistics from some selected African economies show that for resource-rich countries, primary sector attracts more foreign direct investment while for non-resources countries, tertiary and secondary sectors are the most targeted. In 2005, Nigeria attracted 78.6% in the primary sector (particularly mining quarrying and petroleum) and 21.4% for tertiary sector. Egypt in 2006 attracted 37.7% FDI in the primary sector, 8.1% in the secondary sector and 38.4% in the tertiary sector (transport and finance). Mozambique in 2006 attracted 62.2% in the primary sector, 30.9% in the secondary sector and 6.9% for tertiary sector (trade, transport and finance). In 2009, the figures were 70.6% for the primary sector, 9.4% and 20.1% for the secondary and tertiary

[13] www.unctad.org/fdistatistics

sectors[14], respectively. Since investments in mining and oil exploration require large capital, primary sector in resource-rich countries seems to be the largest recipient sector for FDI attractiveness in Africa.

Though BRIC FDI outflows are particularly directed to tertiary sector, primary sector has particularly attracted Chinese FDI compared to India and Brazil for which secondary sector is the most attracted sector after tertiary sector. Sectoral distribution of FDI in Africa is related to natural resources endowment.

V. Conclusion and Policy recommendations

Trade and investment between African states and BRIC are growing rapidly, though relatively low in value terms compared to traditional partners. Given its size and openness strategy, china is ranking as the top trading and investor partner among BRIC countries with Africa.

In terms of exports and imports, china appears also as the top trading partner among BRIC countries. Disaggregated data on BRIC exports and imports with Africa confirm the fact that BRIC exports to Africa is dominated by manufactured products whereas imports from Africa BRCI are dominated by primary products such as mineral fuels, oils, and metals. As oil producer, Russia has more diversified exports' products to Africa.

In terms of FDI, china invests more in Africa with the most geographically diversified investments in the continent than other BRIC countries. In order to achieve the long term development goals of Africa, some unbalances not fully exploited by both parties have to be filled. Policy proposals to African states as well as to BRIC countries end this paper

Proposals to African states

Strengthened intra-regional trade among African states: bilateral cooperation between BRIC countries and African states cannot only be seen as a threat[15] to intra-regional trade but as an opportunity if significant effort is made to bolster trade among African countries. Indeed,

[14] These figures come from UNCTAD (2008) "World Investment Directory", volume X Africa and UNCTAD (2011) "foreign direct investment in LDCs: lessons learned from the decade 2001-2010 and the way forward"
[15] See Kaplinsky and Morris (2007) and Kaplinsky and Messner (2007).

infrastructure projects liking African borders, technological transfers and joint-ventures from BRIC companies should be used as an opportunity to set up a strategic plan to strengthen intra-regional trade. Ongoing fierce competition on African market between BRIC countries and other competitors should not discourage. Historical legacy, culture and comparative advantage in distance should be exploited. Finally, African diasporas with qualified skills in all fields should be put in contribution to enhance intra-regional trade.

Invest in infrastructures such as roads, telecommunications, and energy: in order to attract more FDI with significant labor-intensive inputs, African states should invest more on roads, railways, ports, energy and telecommunication infrastructures. With rising economic status of BRIC nations and their move to high value-added products, they will certainly be looking the place to move production plans for products with cheap labor costs. So, African economies should be able to receive production plans from BRIC countries with rising labor costs. Without such investments, country like Chine would prefer to move production to countries like Vietnam or Indonesia.

Invest qualitatively in human resources good education is key to success for African economies. Investment in infrastructure to attract more FDI should be accompanied by investments in education necessary to produce available skills for companies. Education system should be in line with development strategy. A better health system is needed to strengthen workforce capacity to meet pressures and challenges.

Improve their understanding of BRIC markets and set up a strategic plan to access those markets using their comparative advantages: governments and business organizations in Africa should set up a plan on how to access BRIC markets. Partnership with small and medium size enterprises (SME) operating in Africa could help understand markets of these new emerging economies. For that to be possible, constraints such as language barrier should be lifted[16].

Set up incentive mechanism to attract foreign direct investment in labor-intensive sectors in order to create jobs to their growing young population: more incentive should be given to

[16] Gu (2009) reported that a weak linkages between Chinese firms and local African firms stem from language and cultural issues.

FDI with significant job creation content and stringent regulations apply to FDI in capital intensive sectors. The former could target manufacture sector while the second target primary sector, particularly extractive industries. Tax incentive mechanism as well as non-tax incentive should be designed to attract more FDI in labor-intensive sector.

Improve political and economic governance and reinforce security: good political and economic governance are keys to attract more investments in African soil. Macroeconomic stability[17] and structural reforms necessary to unleash growth potential need to be carried out. Attention should be paid on business climate improvement and fight against corruption to reassure domestic as well as foreign investors. Political stability[18] is key for good economic governance. Security within and across the borders need to be strengthened to avoid conflicts spillover.

Proposals to BRIC countries

More openness of their markets to African products: more bilateral and multilateral trade agreement aiming to ease access to BRIC markets by African products. Although some trade agreements have already been granted by China in 2005, India in 2008 and Brazil in 2008[19], more need to be done, particularly for products with higher value-added and labor content.

Build a frank dialogue with their African partners on trade and investment opportunities in both sides: Competition is going to be fierce not only among BRIC nations in African markets, but between them and other competitors. China is the only BRIC countries with growing trade and investment in Africa, this will not last forever since other BRIC nations such as India and Brazil are making significant footstep in Africa. To avoid misunderstanding and tension, trade and investment cooperation between African states and BRIC need to be based on trust.

[17] Country with high degree of currency crashes, double digit inflation and excessive budget deficits has a weak probability to attract FDI (Dupasquier and Osakwe, 2006).
[18] Political instability has been recorded as the factor responsible for the weak FDI inflows in Africa (see Dupasquier and Osakwe, 2006).
[19] See Elborgh-Woytek et al. (2010) and IMF (2011).

Annexes

Table 9: top five destinations of BRIC countries exports in Africa

Rank	1990			
	Brazil	**China**	**India**	**Russia**
1	Nigeria	Congo, Dem. Rep. of	Nigeria	
2	South Africa	Morocco	Mauritius	
3	Morocco	Algeria	Kenya	
4	Angola	Liberia	Tanzania	
5	Algeria	Nigeria	Zambia	
	2000			
1	South Africa	South Africa	Nigeria	Algeria
2	Nigeria	Nigeria	South Africa	Tunisia
3	Morocco	Benin	Mauritius	Nigeria
4	Angola	Morocco	Kenya	Morocco
5	Ghana	Côte d'Ivoire	Tanzania	Ethiopia
	2005			
1	South Africa	South Africa	South Africa	Morocco
2	Nigeria	Nigeria	Nigeria	Tunisia
3	Angola	Algeria	Kenya	Algeria
4	Morocco	Sudan	Sudan	Nigeria
5	Algeria	Morocco	Algeria	Sudan

Source: DOT and author's calculations

Table 10: top five sources of BRIC countries imports in Africa

Rank	1990			
	Brazil	**China**	**India**	**Russia**
1	Algeria	Sudan	Morocco	
2	Angola	Mozambique	Zambia	
3	South Africa	Zimbabwe	Senegal	
4	Nigeria	Cameroon	Congo, Dem. Rep. of	
5	Morocco	Tunisia	Tunisia	
	2000			
1	Algeria	Angola	South Africa	Guinea

2	Nigeria	South Africa	Nigeria	South Africa
3	South Africa	Sudan	Morocco	Côte d'Ivoire
4	Morocco	Gabon	Côte d'Ivoire	Morocco
5	Congo, Republic of	Congo, Republic of	Tunisia	Zimbabwe
	2005			
1	Algeria	Angola	South Africa	Guinea
2	Nigeria	South Africa	Morocco	South Africa
3	South Africa	Sudan	Senegal	Morocco
4	Morocco	Congo, Republic of	Côte d'Ivoire	Côte d'Ivoire
5	Equatorial Guinea	Equatorial Guinea	Tanzania	Mauritania

Source: DOT and author's calculations

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