

Brazilian and Moroccan Policies for Sub-Saharan Africa: Description and Elements for Assessment

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OCP Policy Center analytical partnership



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About CINDES

Created in March 2006, the Centre for Studies in Integration and Development (CINDES) is a research institute that seeks to contribute to the deepening of the debate about the relations between Brazilian development and its international integration. Since then CINDES has consolidated as a policy-oriented studies centre that analyses Brazilian foreign economic policy, its positions and interests in different negotiation fora, the evolution of the global scenario and its impacts on the country's economy and policies.

Through its studies, research and seminars, CINDES establishes itself as an independent think tank. In our view, Brazil's international insertion should be guided by the following values:

- Promotion of an open economic and political international environment, compatible with the sustainable development paradigm;
- Support for Brazil's growing involvement in issues of global governance and in the international cooperation initiatives focused on the production of global public goods and the consolidation of a multipolar world order;
- Support for Brazil exercising a responsible leadership in Latin America through the promotion of a broadened economic agenda (trade, investments, infrastructure and climate change); and
- Defense of human rights and representative democracy.

CINDES works alongside a network of organizations and specialists in Brazil and abroad, developing studies and research lines, organizing seminars and meetings and disseminating information on integration and social and economic development.

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Brazilian and Moroccan Policies for Sub-Saharan Africa: Description and Elements for Assessment

I. Introduction

Since the beginning of the century, Brazil and Morocco have implemented active and diversified strategies for building relationships with the rest of Africa, and more specifically the countries of Sub-Saharan Africa. To a great extent, the motivation for these strategies was political as they were part of national foreign policy frameworks which prioritized South-South relations.

The political motivation of the two countries' strategies explains the importance that the cooperation dimension plays in both of them. Sub-Saharan Africa has been the field chosen for a new type of public policy, for both Brazil and Morocco: the offering of cooperation to developing countries by two countries which historically have been recipients of foreign cooperation.

However, the economic dimension of Brazil and Morocco's African strategies was no less important, and policy instruments, as well as public and private actors, were mobilized around this dimension. The result of this mobilization was the growth of trade and investment flows between on the one hand, Brazil and Morocco, and on the other, the Sub-Saharan countries.

Sections 2 and 3 of this paper describe the main components of Brazil and Morocco economic strategies (including cooperation) towards Sub-Saharan Africa since the beginning of the century, highlighting the characteristics and – when possible – the performance of the instruments used to promote the flows of trade, investment and cooperation between each of the two countries and the Sub-Saharan region. Section 4 presents a synthetic assessment of the policies described, while section 5 brings the policy conclusions and recommendations of the paper.

II. Sub-Saharan Africa in the foreign policy agenda of Brazil

Brazil's 'activism' in its relations with Africa in the first decade of the century produced a vast range of initiatives and projects in the spheres of trade, investment and cooperation.

The relevance attributed to relations with Africa in the Brazilian foreign policy agenda has as its background the priority conferred on South-South relations – and the promotion of cooperation, as a central element in these relations – under Workers' Party administrations, especially between 2003 and 2010.

This political perspective framed Brazil's official actions in Africa, and is best expressed in the cooperation dimension. However, in the recent years, Brazil's activism has slowed down somewhat, first as a consequence of the low profile of foreign policy under the Rousseff administration, and afterwards due to the economic crisis which Brazil has been undergoing since 2014 and the political changes the country went through in 2016.

1. Trade Policy

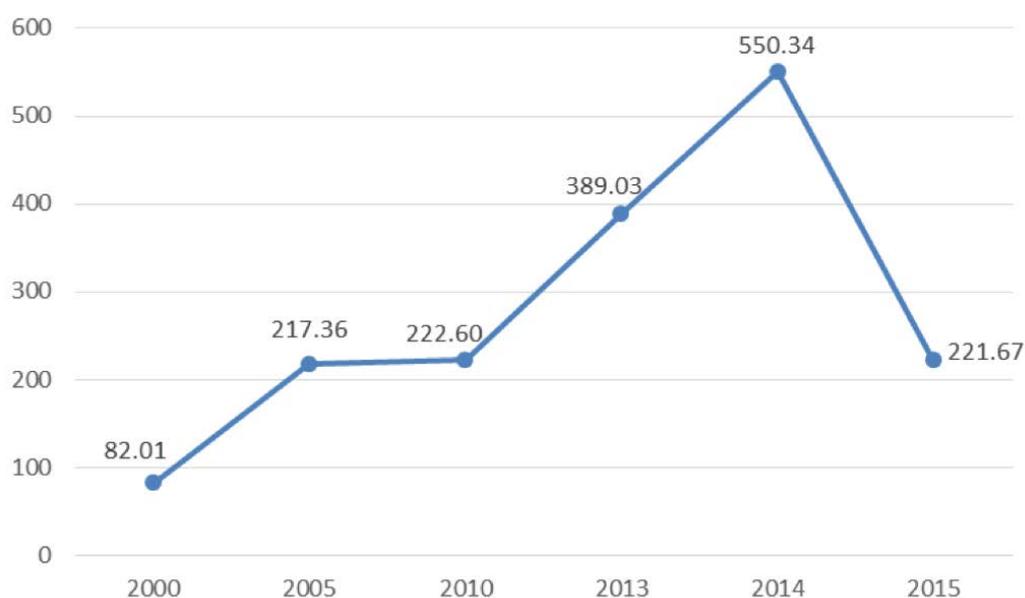
In the sphere of trade policy, governmental initiatives related to Africa were based on three elements: public financing of exports, export promotion and the negotiation of trade agreements. Of these, the most intensely used instrument was export financing mechanisms.

a. Financing

In the case of exports to the African continent, exporters of goods and services use two public financing mechanisms: PROEX¹ and BNDES EXIM Post-shipment². PROEX exists since the 1970s in two modalities: financing and interest rate equalization. BNDES Exim Post-shipment is a more recent policy instrument, established in the 1990s. Public financing of Brazilian exports to Africa grew strongly between 2000 and 2005, supported by the performance of PROEX funding. Between 2005 and 2010, the volume of financing practically did not change, but there was a strong shift in the sources of public funds: in 2010, more than 83% of financing originated in BNDES.³

Between 2010 and 2014, there was a second cycle of strong expansion of public financing of exports to Africa: the total value of financing in 2014 reached US\$ 550 million, BNDES being responsible for 83.3% of this value. In 2015, however, the total value of public funding fell significantly, returning to the levels of 2005 and 2010, principally due to the retraction of BNDES loans, which in 2015 did not even reach one third of the 2014 value. This evolution cannot be dissociated from the crisis experienced by the main Brazilian exporters of services to Africa and from the domestic questioning of BNDES' policy of supporting these companies.

Figure 1 : Public funding of Brazilian exports to Africa – in US\$ millions (2000 – 2015)



Source: BNDES, Banco do Brasil (Proex)

1. PROEX is the main public financing instrument for Brazilian exports of goods and services.

2. BNDES EXIM Post-shipment is operated by the Brazilian Development Bank (BNDES).

3. BNDES–Exim funding only began to be used for exports to Africa in 2007, following the signing of Protocols of Understanding between Brazil and Angola, which established a total line of credit of US \$1.75 billion for the exporting of Brazilian goods and services for projects prioritized by the Angolan government.

Between 2000 and 2014, the share of Africa in the disbursements of the public system of export financing rose continually, reaching almost 20% in 2014, before falling back to 10.5% in 2015. Public financing of exports to Africa was concentrated in a small number of countries, amongst which Angola stood out, as well as Mozambique and South Africa albeit to a lesser extent. Exports to Angola were responsible for 98% of financing disbursements for Africa in 2000 and 2005. In 2010, this share had been reduced to 76%, while that of South Africa reached 18%. In 2014, Angola's share rose again, reaching 71%, the second position being occupied by Ghana (14%).

In 2015, the value of public financing for exports to Mozambique surpassed the disbursements for exports to Angola, with 41% and 28%, respectively. Ghana was in third place with 10%. Therefore, disbursements of public financing for Brazilian exports to Sub-Saharan Africa and to Africa as a whole have been concentrated in three or four countries (amongst which have consistently been Angola and Mozambique).

According to BNDES data, engineering and construction services (infrastructure works) were the object of the large majority of operations financed by the Bank between 2010 and 2015, representing around 2/3 of financial disbursements for the continent in 2010 and 2013, 81% in 2014, and 59% in 2015. Financing was also used for exports of agricultural machinery and aircraft, as well as other capital and consumption goods.

From 2013 onwards, BNDES intensified initiatives aimed at Africa. BNDES Exim Automatic – a line of credit adopted five years earlier in Latin America and restricted to capital and durable consumer goods – was extended to the continent. The new line began to operate in Africa in 2014, but faced difficulties related to the establishment of a network of local distributors (in Africa) for the new line of credit and the resistance of local banks to operate with long-term financing periods.⁴

b. Export promotion

In relation to the trade promotion agenda of ApexBrasil (Brazilian Trade and Investment Promotion Agency), Africa was included as a regional market, even though it had previously been part of sectoral promotion programs, as one of the potential markets for the destination of exports from the sectors targeted by those programs.

In 2008 and 2009, ApexBrasil held a series of missions exploring opportunities and business rounds in various African countries, with an emphasis on those from the Western Region. In 2010, the first ApexBrasil Business Center on the African continent was created in Luanda (Angola), aimed at the provision of market intelligence services, business promotion and support for the local establishment of Brazilian companies.

c. Preferential Trade Agreements

In the area of negotiated trade policy, Brazil, as a member of MERCOSUL, signed two trade agreements, one with SACU (the Southern African Customs Union) – based on the reciprocal concession of negotiated tariff preference margins for a limited set of products – another with Egypt – in this case, a free trade agreement. The SACU agreement was signed by Mercosul in 2008 and by SACU in 2009. The agreement with Egypt was signed by both parties in 2010. Neither of the agreements negotiated is in force, as they

4. In 2013, a change in BNDES' charter incorporated "the need to appoint a director responsible for matters related to Latin American, the Caribbean, and Africa," marking the rising relevance attributed to these developing regions in the Bank's strategy (Guimarães et al, 2014). In December of the same year, BNDES opened an office in Johannesburg. Its aim in this case was to expand its relations with regional and local institutions, as well as to increase knowledge about the African business environment.

are awaiting internalization by the signatories.⁵

d. Africa in the National Export Plan

The Brazilian National Export Plan (PNE), launched in June 2015, made explicit the targeted countries for Brazil in the African Continent, in terms of trade and investment promotion initiatives. Until then, although Brazilian initiatives tended to be concentrated on a limited number of countries, this tendency did not reflect an explicit definition of priorities.

Considered as the priority countries in Africa according to the Strategic Map included in the PNE are Angola, Algeria, South Africa, Egypt, Mozambique and Nigeria. For each of the markets (countries) defined as priorities, the Map identifies subgroups of products selected according to their position in the market in question, which in turn determines the main objectives of the export promotion actions related to those products: the maintenance of the market share gained, the consolidation of market position, market recovery or market opening. In relation to the market access agenda as defined by the PNE, the priority initiatives for 2015 involving African countries are the expansion of the coverage of the preferential trade agreement with SACU and the expansion of the number of bilateral ACFIs (Agreement for Cooperation and the Investment Facilitation) signed with African countries. Negotiations on investment treaties are being held by Brazil with South Africa, Algeria, Malawi, Morocco, Nigeria and Tunisia.

2. Investment Policy

Brazil has a long tradition as a host of foreign investment, occupying a leading position among developing countries. Foreign investment, attracted by the large Brazilian domestic market and by incentives, played a significant role in the industrialization of the country. **On the other hand, external investments by Brazilian companies only gained relevance in the first decade of this century.**

Expressing this asymmetry between inward and outward flows, Brazilian regime applicable to international investment has focused historically on attracting investment to Brazil, while discouraging the investment of Brazilian companies abroad. **It was only in the recent years, with the growth of these outward investments, that the business sector came to demand corrections and adjustments in the Brazilian investment regime, in order to overcome barriers to external investments of Brazilian companies.**

Currently there are some governmental initiatives for supporting the internationalization of Brazilian companies, especially through BNDES credits. However, the credit line made available by the Bank has been **used in a limited way.**

Two other recent governmental initiatives have been adopted to facilitate and promote the direct investment of Brazilian companies in Africa. The first, already mentioned above, is the opening of a BNDES office in South Africa.⁶ The second initiative – directly related to the investment agenda – is the promotion by Brazil of the negotiation of bilateral agreements on cooperation and facilitation of investment (ACFIs).

Brazil remains on the margins of the extensive network of bilateral agreements for promoting and protecting investments (the so-called APPIs), which began to be negotiated and signed at the end of the

5. There have also been sporadic movements for launching negotiations of a free trade agreement with Morocco, but they have not yet evolved to the technical negotiations phase. More recently, the government has approved the idea of a Tunisia - MERCOSUR agreement and manifested the Brazilian interest in expanding the scope of the MERCOSUR – SACU agreement (not yet in force, as noted above).

6. BNDES defined Angola, Mozambique, South Africa, Algeria, Morocco, Nigeria and Ghana as its priority target countries in Africa.

1950s, expanded in the 1970s and 1980s, and intensified in the 1990s, accompanying the rapid growth of direct investment flows in the world.⁷

Nevertheless, when the outflow of foreign investments intensified on the part of Brazilian companies, principally those targeting developing countries with less political and economic stability, the demand increased for the Brazilian government to negotiate mechanisms which would give greater protection to these operations against political and non-commercial risks.

The Brazilian government responded to this demand by formulating a new model for investment agreement: the so-called Agreement on Cooperation and Facilitation of Investments. The main objectives of this new model are: i) improvements in the institutional governance of reciprocal investments; ii) mechanisms for risk mitigation and conflict prevention between the Parties; and (iii) thematic agendas for cooperation and the facilitation of investments. Bilateral agreements following this model were signed with three African countries: Angola, Mozambique and Malawi.

3. Cooperation Policy

Brazilian development cooperation recorded an accelerated growth during the first decade of the century, fruit of a very active foreign policy aimed at the opening of new diplomatic fronts, particularly among developing and emerging countries in Africa, Asia and the Middle East.

Solidarity between peoples, respect for sovereignty and non-interference in internal matters of partner countries stand out as the basic principles of Brazilian cooperation's official narrative. Governmental authorities in Brazil refer to Brazilian cooperation for development as South-South cooperation, synonym of a mutually beneficial horizontal relationship. Non-conditionality and a demand-driven logic of cooperation are principles that also derive from this kind of policy approach.

Technical cooperation represents the image of South-South Brazilian cooperation, and that despite its relatively low weight in the total resources allocated for international cooperation, which is dominated to a great extent, by contributions to international organizations.

a. Technical cooperation

Brazilian technical cooperation projects and programs consist of the transfer of knowledge, practices and technologies related to various sectorial areas and public policy themes, aiming at the reinforcement of individual and institutional capacities in the beneficiary country. Among the sectors most frequently covered by Brazilian technical cooperation are agriculture, health, education and professional training, public security, environmental administration and social development.

However, despite its thematic amplitude, technical cooperation is strongly concentrated in four sectors. In the 2000–2014 period, agriculture (19%), health (16%), education (11%), and public security (11%) were the principal segments to which Brazilian technical cooperation resources were allocated. In the case of the cooperation provided to Africa, agriculture accounts for 33% of the total, followed by education (23%), and health (16%). These three segments represent about three quarters (in value terms) of the Brazilian technical cooperation provided to Africa between 2000 and 2014 (IPEA, 2016).

7. Brazil signed 14 APPIs in the 1990s, mainly with European countries, though none of these were ratified by the National Congress. Various mechanisms which appear in traditional APPIs faced strong resistance on the part of Brazilian Congress, especially those related to the (broad) definition of investment, the concept of indirect expropriation and the State – investor dispute settlement mechanism.

A relevant shift in Brazilian technical cooperation in Sub-Saharan Africa is the growing importance attributed to the so-called 'structuring' projects aimed at a specific area and covering various African countries from the same region. For example, this is the case of the support programs for the development of the cotton sector, whose first project covered the Cotton 4 group of countries (Benin, Burkina Faso, Chad, and Mali). Togo joined this project later and in 2015 a second part of the program was opened, involving Malawi and Mozambique, while the beginning of the Cotton Victoria project is foreseen for 2017, covering Kenya, Tanzania, and Burundi.

Africa – essentially Sub-Saharan Africa – has been the principal recipient region of Brazilian technical cooperation projects. In 2004, only 22% of the values allocated to technical cooperation by Brazil referred to projects in Africa, but between 2008 and 2012, the African share had surpassed 50%, rising to 71% in 2014.⁸

Between 2011 and 2013, Brazil had technical cooperation projects with a total of 34 countries from Sub-Saharan Africa (IPEA, 2016). The five lusophone countries, notably Mozambique, appear at the top of the list of partners in the region and in the whole continent, whether in terms of the number of projects or the volume of funds invested in cooperation. Between 2011 and 2013, the lusophone countries absorbed 72.5% of the funds directed to all of Sub-Saharan Africa.

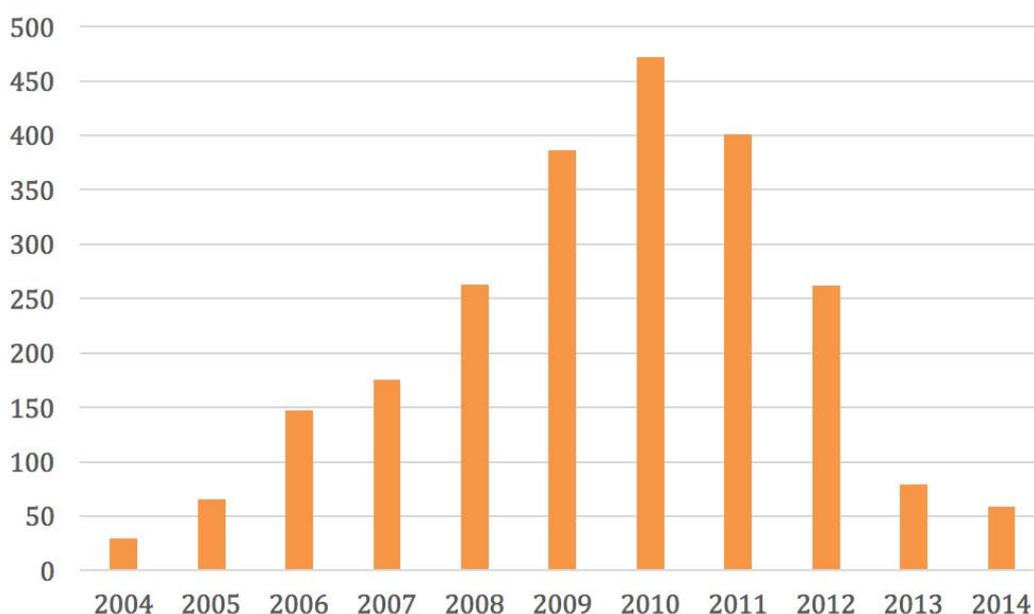
Besides lusophone countries, the countries that participated in the Cotton 4 project (Benin, Burkina Faso, Mali, and Chad) were also important in the disbursements related to Brazilian technical cooperation between 2011 and 2013. This project received 9% of Brazilian technical cooperation funds for Sub-Saharan Africa between 2011 and 2013, and one third of the funds allocated to projects in countries in the region, excluding the lusophone ones.

In addition to technical cooperation provided on a bilateral basis, Brazil has also been involved on trilateral cooperation initiatives in Africa. Brazil's main partners in the provision of this modality of cooperation include Japan (in Mozambique and Angola) and Germany (Mozambique). Among the multilateral institutions, the ILO and the FAO are the ones which have most partnerships with Brazilian cooperation in Africa.

After growing significantly in the first decade of the century, Brazilian technical cooperation activities have been reduced in recent years, due to the strong fiscal restrictions affecting the Brazilian federal government. For example, in 2004, 30 new technical cooperation projects or activities were initiated, a number which rose to 263, in 2008, and to 472, in 2010. After this, the tendency was inverted and the number of new projects gradually fell, reaching 262, in 2012 and only 59, in 2014.

8. Brazil has 20 bilateral technical cooperation agreements in force with countries from Sub-Saharan Africa.

Figure 2 : Brazilian new technical cooperation projects and activities per year



Source: Brazilian Cooperation Agency (ABC)

b. Economic and financial cooperation

Although less publicized than technical cooperation, economic and financial cooperation has been practiced by Brazil in Africa, mainly through the forgiveness of bilateral debts and the offer of export credits on concessionary terms.

In the case of debt forgiveness in relation to African countries, the practice goes back to the final decade of the last century and is related to the debts bilaterally accumulated in the 1970s and the 1980s. Debt forgiveness was implemented in a partial form, reaching up to 95% of the total, in the case of Mozambique.⁹

In addition to being a political gesture, debt forgiveness or renegotiation is a condition for the advancing of new loans by Brazilian banking institutions. There is therefore interest for business sectors in unblocking the situation due to the commercial and investment opportunities being presented in Africa.

Concessionary credits for exports are operationalized through PROEX financing modality.¹⁰ Despite the lack of statistical data on the granting of concessionary credit, there are indications that this type of financing has gained some relevance in recent years in Brazil's bilateral relationships with the African continent. According to the Legal Opinion of the General Attorney's Office of the National Treasury, on 9 June 2014, "currently the total concessionary loan portfolio of PROEX is US\$ 81,774,497.13 and EUR 158,280,002.11." Also in 2014, PROEX financing with a maturity higher than ten years – the majority of which is constituted by concessionary credit (not only for Africa) – represented 40% of the total disbursed by the program. However, in 2015 this share had fallen to 15%.

⁹. Between 2003 and 2010, significant parts of the debts of three African countries were forgiven: Mozambique, Nigeria, and Cape Verde. After 2010, the debts of Gabon, Senegal, Sudan, the Republic of the Congo and São Tomé and Príncipe were restructured. Currently in the Brazilian Federal Senate, awaiting legislative authorization, are decisions about the partial forgiveness of debts of five African countries (Ivory Coast, Guinea-Bissau, the Democratic Republic of the Congo, Tanzania, and Zambia).

¹⁰. The program cannot allocate more than 25% of its funds for this type of financing and the maximum level of concessionality is set at 35%. The level of concessionality of credits is defined by the annual interest rate (normally a rate of 2% or the Libor Index, if this is lower than 2%, is applied), by the grace period, and the longevity of the loan.

A large part of the concessionary credit for exports was granted as part of the More Food International (Mais Alimentos Internacional - MAI) cooperation program, designed and coordinated by the Ministry of Social and Agrarian Development. The MAI program was launched by President Lula in 2010 as part of Brazil – Africa Dialogue on Food Security, the Combat of Hunger and Rural Development and it combines technical and economic cooperation objectives: to support increased production and productivity of family farmers in African countries while at the same time stimulating Brazilian exports of machinery, tractors and equipment to developing countries via concessionary credit.¹¹

4. A synthesis of Brazil's policies towards Sub-Saharan Africa

Since the beginning of the century, Brazil has carried out a diplomatic offensive towards Africa. Governmental initiatives have used mainly export promotion *latu sensu* (public trade financing and export promotion) and technical cooperation instruments. More recently, the investment dimension came to be an explicit objective of policies through the formulation and negotiation of Agreements on Cooperation and Facilitation of Investment.

Although -with the exception of cooperation projects designed under the demand of the beneficiary countries- the majority of policy mechanisms have not been specifically conceived to be used in the relations with Africa, some of them, especially in the area of export financing and investment agreements, have been used with greater intensity in these relations. Moreover, some public agencies such as BNDES and ApexBrasil, have started to carry out actions specifically aimed at Africa and/or African countries, such as the establishment of the ApexBrasil office in Angola and the BNDES office in South Africa.

In the trade area, it can be stated – based on the performance of the public lines of financing - that Brazilian policies have prioritized lusophone countries, especially Angola and Mozambique, with other countries – such as South Africa and Ghana – clearly occupying a secondary position. The same is observed in the area of investments, in which the first agreements signed by Brazil involved the same two large lusophone countries.

In the cooperation sphere, Brazilian initiatives were more geographically diversified, but a lusophone country – in this case, Mozambique – appears as the principal destination of Brazilian technical cooperation – including trilateral cooperation – projects. Other relevant technical and economic cooperation projects involve the production of cotton in West African countries and from 2017 onwards, East Africa as well. These projects are a vector of the geographic diversification of the Brazilian presence in regions of Africa in which trade with Brazil and Brazilian investments are of little significance.

In all spheres, Brazilian policies have prioritized Sub-Saharan Africa and within this the two large Portuguese speaking countries, Angola and Mozambique. There is some diversification in trade and above all in cooperation and in this case Ghana appears as a partner of growing relevance for Brazil.

From the sectorial point of view, Brazilian policies have privileged the financing of export services for the construction of infrastructure and, in the cooperation sphere, agriculture projects.

In the most recent period, Brazilian policies towards Africa have suffered as a result of the difficulties faced by the most active Brazilian companies in the continent.

¹¹ MAI originated in the bilateral technical cooperation sphere, and became an instrument (memorandum of understanding) related to the conditions of financing the exports of Brazilian products, and afterwards a mechanism of governmental support for the export of Brazilian agricultural machinery. Currently Brazil has technical cooperation agreements and memorandum of understanding with five African countries (Zimbabwe, Senegal, Ghana, Mozambique, and Kenya), with estimated values of financing of around R\$1 billion.

In the complex political situation experienced by Brazil since 2015, the priority given by BNDES to financing with public funds the export of construction and engineering services to Africa and to Latin America has been strongly questioned. The fall in the value of BNDES financing in 2015 constitutes an expression of this new scenario, confirmed in late 2016 by the Bank's decision to suspend the disbursement of resources to many projects of Brazilian construction firms in Africa (and in Latin America). On the other hand, fiscal concerns also appear to be impacting the implementation of certain Brazilian policies towards Africa, especially in the area of technical cooperation, leading to the significant reduction in the number of new projects commenced by ABC.

This complex policy environment in Brazil can also negatively impact the ability of the country to benefit from the establishment of the New Development Bank (NDB) – the so-called BRICS Bank – as a new instrument to strengthen its economic relationships with the Sub-Saharan countries. Brazil is one of the five NDB founding countries and the Bank was perceived by the former government as a new tool to foster the presence of Brazilian companies and projects in Africa. It is not clear that, at least in the next few years, Brazil will be able to realize this potential.

III. Sub-Saharan Africa in the foreign policy agenda of Morocco

As in the case of Brazil, Morocco's economic relations with Sub-Saharan Africa have been intensified in this century, mobilizing the dimensions of trade, investment and cooperation.

Another convergence with Brazilian initiatives is that Moroccan policies for Sub-Saharan Africa are framed by a foreign policy perspective in which South-South cooperation acquires increased relevance. In this view, inscribed in the Preamble to the Moroccan Constitution, South-South cooperation, in particular with the Sub-Saharan countries, has acquired a priority status in the country's foreign policy (Sarton, 2014).

In practice, South-South cooperation in the Sub-Saharan region has been operationalized through a trade and investment agenda, accompanying technical and economic cooperation projects and initiatives, with the explicit objective being the promotion of both Moroccan and its partners' interests.

After its withdrawal from OAU in 1984, Morocco developed an active and multidimensional policy of cooperation with African States, particularly with those sharing its vision of south-south interaction.

Within this political framework, French-speaking countries from Central and Western Africa became the privileged, albeit not exclusive, targets of Morocco's policies for the Sub-Saharan region.

Nevertheless, King Mohammed VI's recent journey to East African countries represents a landmark in the efforts of Morocco to diversify its range of bilateral relationships in the Sub-Saharan region – beyond the French-speaking countries of Central and Western Africa, especially the Ivory Coast, Gabon and Senegal. In early 2017, Morocco joined the African Union, a decision that opens a wide set of opportunities for the Moroccan strategy of diversifying its relationships with Sub-Saharan countries.

In recent years, royal visits to Sub-Saharan countries have been the occasion when Morocco has made its priorities explicit, in terms of its bilateral relationship with countries from the region, as well as its proposals to make its economic relations with the region more plural through the shaping of regional spaces of integration.

In the bilateral sphere, these (annual) visits have led, among other initiatives in the economic sphere, to the signing of various cooperation agreements in different fields of activity, the holding of economic forums, and

the creation of business councils (IRES, 2015). These initiatives seek to create an environment favorable to the expansion of bilateral trade and investment. In some cases, Moroccan investment projects were announced or implemented in the countries visited. Not by chance, the countries prioritized by royal visits before 2016 are those in which the presence of Moroccan investors in the region was most significant and diversified.

On January 31st 2017, Morocco joined the African Union (AU). Additionally, the Economic Community of West African States (ECOWAS) has in principle approved Morocco's membership application on June 4, 2017. These movements broaden the geographical scope for Morocco's policies toward Africa, including in it the East and Southern Africa regions, while at the same time it reaffirms the relevance of the West African region in Morocco's policies for the Sub-Saharan region.

1. Trade policy

Morocco's trade policy has privileged the signing of preferential trade agreements, both with developed (USA and the European Union), and developing countries – in Africa and the Middle East. Within this framework, the country has three preferential trade agreements in force with Guinea, Senegal, and Chad, in which tariff reductions are applied to a set of products – but not to the totality of the nomenclature.

Moreover, another 14 bilateral agreements signed with Sub-Saharan countries granted the reciprocal concession of Most Favored National (MFN) status to products of the signatory countries. Strictly speaking, this type of agreement does not offer preferences to products exported by Morocco, which only benefits if the tariffs applied to exports of its competitors to the same market are higher than MFN tariffs.

In addition, Morocco has sought to negotiate commercial partnerships with sub-regional integration schemes, especially in Western and Central Africa, a priority space for its economic and political initiatives in the African continent. The negotiation of a trade and investment agreement with the West African Economic and Monetary Union (signed in 2008) should lead to tariff reductions of 50% - 100% for a group of pre-defined products. Moreover, Morocco has been negotiating the progressive establishment of free trade zones with the Economic Community of West African States and with the Monetary Community of Central African States (MEF, 2014).

In Morocco, the public system of export financing includes guarantee and co-financing mechanisms, administered by the Caisse Centrale de Garantie, a State entity that acts in various policy areas, not exclusively in foreign trade. Operating in the area of export credit insurance is SMAEX, a company in which the state holds a 35% share and which is solely dedicated to the concession of this type of insurance. SMAEX acts on behalf of the Moroccan State in the provision of export credit insurance against political and commercial risks for capital goods, services for public works, etc. (WTO, 2016).

In the area of the trade promotion, the Moroccan Center for the Promotion of Exports or Maroc Export exists since 1976. Its principal objective is to support small exporting companies or those that intend to start exporting. Its actions have been complemented by the Casablanca Trade Fairs and Exhibitions Organization (OFEC), whose role is to assist companies in the export promotion of the priority sectors, and the organization of fairs and exhibitions related to the internationalization of Moroccan companies.

In June 2016, the government announced the merger of these two promotion institutions with the Moroccan Investment Development Agency (AMDI), creating a single body to promote exports and to attract foreign investment – the Moroccan Export and Investment Development Agency (AMDIE).

This initiative is part of an effort by the State to increase and diversify its exports, as well as to attract new productive investment, in order to reduce the elevated current account deficit recorded by the country in recent years. In 2013 a new plan for supporting exports was launched – Maroc Export Plus – with measures including the establishment of export expansion contracts between the State and private companies, support for export consortiums, etc.

As far as relations between Morocco and Sub-Saharan Africa are concerned, these efforts to expand exports can be interpreted as a reaction to the perception that trade relations of Morocco with Sub-Saharan Africa are not very significant and/or are concentrated in a restricted number of products, very much below their potential (Lo, 2016).

Various factors contribute to this, such as the persistence of tariff and non-tariff barriers to trade in many African countries, the lack of infrastructure, the fragility of regional integration schemes and the possible inadequacy of products exported by Morocco to the characteristics of the demand of Sub-Saharan countries (MEF, 2014). It is thus not surprising that, according to Lo (2016), the trade agreements between Morocco and Sub-Saharan countries “still do not contribute to accelerating the rate of exchange between Morocco and these countries.”

Another potentially relevant dimension of Morocco’s trade policy that has an impact on its relations with Sub-Saharan Africa is related to the role that Morocco intends to perform as a geographically positioned economic and financial hub between its commercial partners in the North (notably the European Union) and the Sub-Saharan countries.

2. Investment policy

In the investment area, Morocco’s foreign economic policy has attributed importance to bilateral agreements. This applies to relations with the world, but also with Africa and, in particular, Sub-Saharan countries. Morocco has an important number of investment promotion and protection agreements, as well as bilateral agreements to avoid the double taxation of investments.

Morocco has 63 bilateral agreements to protect investments (APPI), of which 48 are in force. The free trade agreement with the US contains a chapter on investment while the new agreement being negotiated with the European Union also includes the theme under a specific chapter.

In the case of Sub-Saharan Africa, there are 12 agreements signed, but only three are in force (Gabon, Mauritania, and Sudan). Morocco has shown interest in accelerating the ratification of agreements signed with African countries, especially those in which Moroccan investments are significant or have grown rapidly in recent years, such as Mali, the Congo and Burkina Faso. In the case of the agreements to avoid double taxation, 50 of these are in force, though only three of them involve Sub-Saharan countries (Ivory Coast, Gabon and Senegal).

Another relevant policy instrument for the growth of Moroccan investment abroad, and in Africa in particular, is the unilateral loosening of quantitative restrictions on these investments. In 2007, a first liberalization movement was made, authorizing foreign investments with a value of up to 30 million MAD per year, once the investment is directly related to the activities of the investing company. In 2010, a second step was taken, raising the annual investment ceiling to 100 million MAD – for investments in Africa – and 50 million MAD for investments in the rest of the world. Moreover, a fund of 200 million MAD was created to strengthen the presence of private Moroccan operators in the African market (MEF, 2014).

3. Cooperation Policy

Technical and economic-financial cooperation has been an important aspect of Morocco's initiatives in its relations with Sub-Saharan Africa. As there are no records of export financing in concessionary conditions, it can be assumed that one relevant form of economic and financial cooperation practiced by Morocco has been debt forgiveness for least developed African countries. This decision was taken in 2000 under the auspices of the Heavily Indebted Poor Countries Initiative (HIPC). Moreover, since January 1st, 2001, the country has granted exemption to import tariffs to a set of products from 34 African countries classified as the least developed countries, once certain rules of origin are complied with.

In relation to the other forms of cooperation, a 2014 document from the Ministry of Economics and Finance states that Morocco disburses more than US\$ 300 million annually to other African countries as Official Development Assistance, although there is no information about the composition of these disbursements (MEF, 2014).

The operationalization of Morocco's cooperation programs is the responsibility of the Moroccan International Cooperation Agency (AMCI), established in 1986 and dependent on the Ministry of Foreign Relations and International Cooperation. AMCI works with bilateral cooperation in Sub-Saharan Africa to a great extent, but also operationalizes triangular cooperation projects with developed countries (France, Belgium, Japan and Germany) and with international agencies, such as the FAO or the Islamic Development Bank.

Areas prioritized by the Moroccan technical cooperation policy in the Sub-Saharan region include:

- The training of African professionals, benefiting from study grants in Moroccan universities;
- The sharing of technical assistance and knowledge in the areas of agriculture, health, water and electricity;
- The implementation of infrastructure projects in priority sectors – education, health, and water – such as the construction of schools and health rehabilitation centers (Sarton, 2014). In these cases, technical cooperation is accompanied by the provision of funds to implement the projects;

As in Brazil, the implementation of technical cooperation projects and initiatives involves a wide range of institutions, beyond AMCI. This dispersal of initiatives and efforts led a recent assessment of Moroccan cooperation policy to recommend the development of "a strategy, an institutional framework, and programmatic means capable of facilitating and coordinating the programs developed by the set of governmental and non-governmental actors" (Sarton, 2014).

According to the assessment, Morocco has many relevant assets which enable the country to develop an active and mutually beneficial cooperation with the rest of Africa. However, taking full advantage of these assets requires a better synergy between public and private sectors, the mobilization of additional resources, and the empowerment of robust institutions such as AMCI.

2. A synthesis of Morocco's policies towards Sub-Saharan Africa

In the official Moroccan vision, economic relations between the country and its partners in Sub-Saharan Africa are established and developed within a South-South cooperation framework, according to mutually beneficial standards and criteria. This political vision does not discriminate between the countries in the region, but its implementation has taken into account the degree of convergence between Morocco and the Sub-Saharan countries on controversial geopolitical issues.

The main vector of development of Moroccan policies towards Sub-Saharan Africa has been the annual royal visits. These function as a vector for the definition of priorities, bilateral economic diplomacy agendas and technical cooperation projects. At the same time, they open space for the entrance of Moroccan investors and service providers in the countries visited.

Among the policy measures specifically designed for relations with African countries were debt forgiveness for less developed countries, the establishment of a ceiling for investments of Moroccan companies in the region superior to the one authorized for investments in other regions, as well as technical cooperation projects which are by definition adapted to the characteristics of the beneficiary countries.

Trade and investment agreements (protection of investments and agreements to avoid double taxation) are a central element of Morocco's foreign policy in general and in the case of Africa.

However, there are few agreements with Sub-Saharan countries which effectively confer preferences to Moroccan exporters or investment agreements effectively in force. Thus, Morocco's bilateral agreements in Africa are much less relevant and wide-ranging than those signed with developed countries (the US and the European Union).

One finding which emerges from the study of Morocco-Africa relations concerns the concentration of Moroccan exports and investments on a small number of sectors and a restricted number of large companies.

A relevant policy challenge is thus 'the diversification of actors' in Morocco's economic strategy in Sub-Saharan Africa, to which is added the challenge of the geographic diversification of Morocco's partners in the region. Challenges to a great extent shared by Brazilian policies in the region.

IV. An assessment of Brazil and Morocco's policies

The growth in the flows of trade, investments and cooperation between Brazil and Morocco, on the one hand, and the Sub-Saharan countries, on the other, occurred associated with and encouraged by national foreign policies which prioritized relations with the region from a perspective of South-South cooperation going beyond the mercantilist logic. The actions of the heads of State of the two countries appear to have been determinant in this process of establishing priorities for the region as a whole and, within it, for specific countries.

For both countries, there is a significant association between policy priorities – principally in geographical terms – and the evolution of trade, investment and cooperation flows. In the case of Brazil, economic flows and policy instruments made lusophone countries – notably Angola and Mozambique – Brazil's principal interlocutors in Sub-Saharan Africa. In the case of Morocco, the French-speaking countries of West and Central Africa held a leading position as policy priorities. Moroccan investments have concentrated in

some of these countries, which are also the main destination of cooperation projects offered by Morocco. In addition to political convergences – relevant in the case of Morocco –, linguistic and cultural proximity appear to have been a relevant factor in the selection of priority partners for both countries in the region.

The interaction between policies and economic flows has led to a geographic concentration of the interests of Brazil in Angola and Mozambique – with South Africa and Ghana in a secondary position. Sector interests, also influenced by the comparative advantages of Brazil, concentrated on construction, engineering and mining services. In the case of Morocco, under the impact of policies and comparative advantages, the interests of the country ‘specialized’ in the French-speaking markets of West and Central Africa and in modern services sectors, such as banks, insurance, telecommunications, etc.

The principal policy instruments used by Brazil in its relations with Sub-Saharan Africa since the beginning of the century have been public financing of exports and technical cooperation projects. More recently, investment cooperation and facilitation agreements and economic cooperation mechanisms, especially concessionary credit, which combines cooperation mechanisms and objectives and export promotion tools benefitting Brazilian companies, have gained weight.

On the Moroccan side, the king’s visits, commercial and investment agreements, and technical cooperation projects were the principal governmental initiatives adopted to foster relations with Sub-Saharan Africa. Economic cooperation, through debt forgiveness and the concession of preferential access to Morocco’s domestic market benefitting less developed countries have also been part of the country’s efforts.

It is possible to identify in the policies of both countries limitations associated with the fact that Brazil and Morocco are new players in the foreign investment sphere and in the provision of cooperation to other countries. In reality, Brazil and Morocco are countries which have historically received external investment and technical and economic cooperation, and have begun to make direct investments and offer cooperation to other developing countries only in recent years. Thus, their public policy frameworks are designed to attract investment and cooperation and require updating and adaptation so that the countries can operate as providers of investment and cooperation.

In the case of Brazil for example, the National Confederation of Industry coordinated the creation of a Forum of Brazilian Transnational Companies to promote the agenda of these companies and to exert pressure for changes in rules and legislation – principally of a tax nature – which discourage foreign investment. In Morocco, new legislation has raised the maximum limit of values authorized for foreign investments, reducing restrictions on these investments. But it is difficult to imagine significant additional changes in this area, due to the high current account deficits that the country has been experiencing in the last years. In this context, the attraction of foreign investments continues to be a high priority for Morocco.

A similar situation can be observed in the area of cooperation, where the efforts made by the two countries are frequently materialized through initiatives scarcely coordinated either between themselves or with other policies, such as trade and investment ones.

It is interesting that assessments of both Brazilian (CINDES, 2015) and Moroccan cooperation (Sarton, 2014) coincide in the identification of fragilities related to the institutional framework of cooperation and the lack of coordination between actions and the initiatives of different actors. According to Sarton (2014), “(Morocco’s cooperation) currently it is more a set of disperse actions than a properly coordinated policy, fruit of an agreement by all the parts concerned.” According to CINDES (2015), “...with the exception of general principles, there are no unequivocal written policy guidelines about objectives, priorities and

criteria for the distribution of resources for cooperation". From this results a general characteristic of Brazilian cooperation, which is the segmented nature of its institutional framework."

Nevertheless, the short experience of the two countries indicates that there has been a gradual effort to improve policies, expressed through the adaptation of some of the existing instruments to the characteristics of the Sub-Saharan countries. In technical cooperation, adaptation is a sine qua non condition for the effectiveness of the projects of both countries in the region, so much so that both intend to respond to cooperation demands formulated by the Sub-Saharan countries.

In the other areas, this pattern of adaptive evolution to the Sub-Saharan environment appears more clearly in the Brazilian case, through institutional initiatives such as the establishment of BNDES offices in South Africa and ApexBrasil in Angola, the creation of new lines of financing (BNDES Exim Automatic, in 2013) and new forms of economic cooperation (MAI Program) and of cooperation in the area of investment (recently signed bilateral agreements).

In the case of Morocco, although the royal visits explicitly clarify the priority of the region and, within this the target countries for Moroccan interests, the creation of economic interests specifically designed to stimulate relations with Sub-Saharan countries appears less developed. Nevertheless, among the measures specifically designed for relations with those countries are debt forgiveness for the less developed countries, the establishment of a ceiling for investments of Moroccan companies in the region above the one authorized for investments in other regions, and efforts to conclude agreements with sub-regional integration projects in West and Central Africa.

V. Policy conclusions and recommendations

Based on these considerations, it is possible to identify one main policy challenge which Brazil and Morocco share in their relations with Sub-Saharan Africa: the challenge of diversification of actors and partners. As has been observed, Brazil has concentrated its policy efforts on the large Portuguese speaking countries, and in construction and mining services. Morocco has concentrated on West and Central Africa (and even so only in certain countries in these regions) and in services sectors such as finances and telecommunications. An additional important step for both countries would be the diversification of sectors and businesses involved with the region, as well as the entrance and consolidation of their interests in new markets.

This convergence of strategic challenge opens space for the discussion of actions and bilateral initiatives coordinated between Brazil and Morocco and aimed at the Sub-Saharan region. The greatest and most obvious potential is related to the fact that the sectorial and geographical specializations of the two countries in the region are clearly complementary. Not only do the two countries rarely compete with each other, but the sectorial specializations of each other make room for synergies in the investment and technical cooperation spheres.

Another vector of complementarity is associated with the fact that the two countries are going through very diverse moments in relation to the evolution and the perspective of their policies for Sub-Saharan Africa. In fact, there is currently an asynchrony between Brazil's and Morocco's 'African' policy cycles: on Morocco's side, there is a growing priority being accorded to Africa and, in particular, to the diversification of political and economic partnership beyond the more traditional partners of the country in the region. East Africa, the most economically dynamic and politically stable region of Africa, seems to be the first region targeted by Morocco's foreign policy outside its 'comfort zone'.

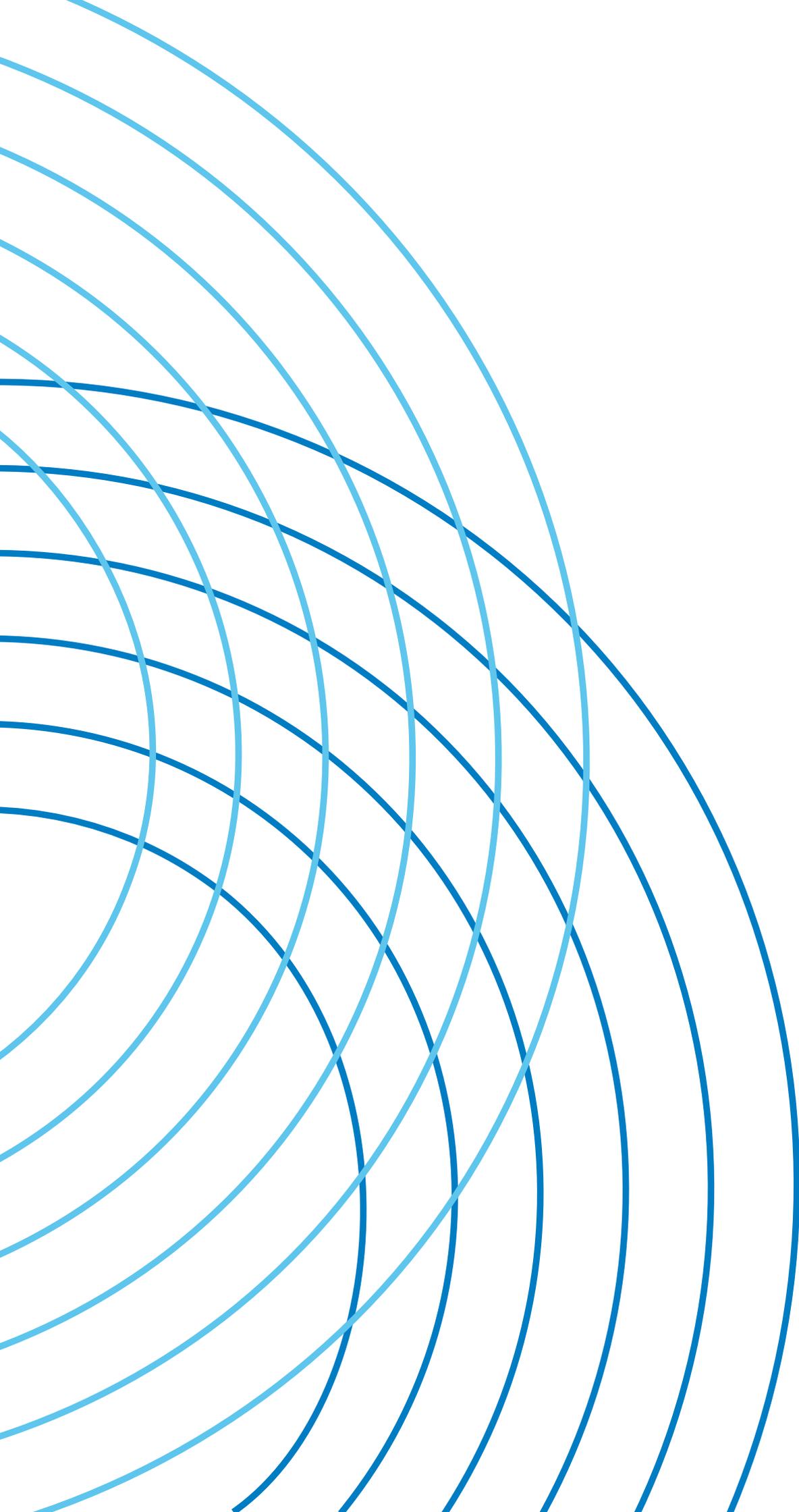
Brazil, on the other side, is undergoing a 'retreat' from its very active African policy under Lula da Silva. This trend has been quite clear since the beginning of the current decade, but has been accentuated by the recent political shift in the country and the difficulties affecting the main Brazilian private and public players in the African economy.

Hence, perspectives, as far as future investments from Brazil and Morocco in Sub-Saharan Africa are concerned and contrasting. While Moroccan companies seem to be on an upward trend, in which geographical diversification would play a major role, Brazil is likely to go through a period of economic and political de-investment in Africa.

Joining efforts with Morocco in some specific sub-Saharan initiatives (in Western and East Africa, for instance) could be, for Brazil, one of the tracks that could help to reverse the current dominant trend in its policies towards Africa.

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