The Impact of Geopolitical Polarization on Trade Policies in Africa: A BRICS Perspective

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Point in the Menu

Introduction

- On March 21, 2018, African states signed the African Continental Free Trade Agreement (AfCFTA) to promote continental economic integration.
- Africa's trade structure remains highly dependent on external markets for both imports and exports.
- Geopolitical fragmentation and divergent national interests present major obstacles to harmonizing trade policies across the continent.
  - Recent global developments influencing African trade policy include:
    - U.S. trade actions: Tariffs on over 185 countries, sector-specific tariffs (steel, aluminum), and the Inflation Reduction Act.
    - EU measures: Regulations on deforestation-linked imports and foreign direct investment (FDI) screening.
    - Japan's Economic Security Promotion Act.
    - India's strategic de-risking efforts.
- These external pressures shape both current and future trade policy trajectories for African nations, directly and indirectly.

Brief overview of the BRICS countries [1]

- Origins: Initiated by Russia in 2006 during a UN meeting hosted at its Ministry of Foreign Affairs.
- Terminology: The term BRIC was coined in 2001 by economist Jim O'Neill (Goldman Sachs) to identify Brazil, Russia, India, and China as emerging economies.
- Membership Expansion:
  - 2010: South Africa joined, transforming BRIC into BRICS.
  - 2023: Egypt, Ethiopia, Iran, and the United Arab Emirates joined.
  - 2024–2025: New partner states accepted: Algeria, Belarus, Bolivia, Cuba, Indonesia, Kazakhstan, Malaysia, Nigeria, Thailand, Türkiye, Uganda, Uzbekistan, and Vietnam.
  - Total members as of January 2025: 22 countries.

Brief overview of the BRICS countries [2]

- Strategic Focus and Global Positioning.
  - Primary focus: Representing the Global South by promoting short-term political and financial cooperation.
  - Long-term vision: Enhancing economic integration and forming alternative global partnerships.
  - Geopolitical stance: Envisions itself as a democratic and inclusive alternative to existing Western-led institutions.
- Challenges and Criticisms:
  - Perceived dominance: Concerns over China's influence within the group.
  - Diverse interests: Limited alignment in economic structures, ideological frameworks, and foreign policy priorities.
  - Intra-group competition: Overlapping export profiles and competition in third-country markets.
  - Cultural and political diversity: May constrain effective cooperation across strategic sectors.

Main objectives

- To analyze the impact of geopolitical polarization on the African economy, using the BRICS alliance as a reference framework.
- The selection of BRICS as a benchmark is based on three key considerations:
  - The progressive expansion of BRICS membership over time.
  - The growing risk of trade tensions between the United States and BRICS countries.
  - The increasing role of African economies within BRICS in influencing regional trade policy.
- The study aims to evaluate the economic implications of geopolitical shifts by examining:
  - Changes in output, prices, welfare, and GDP.

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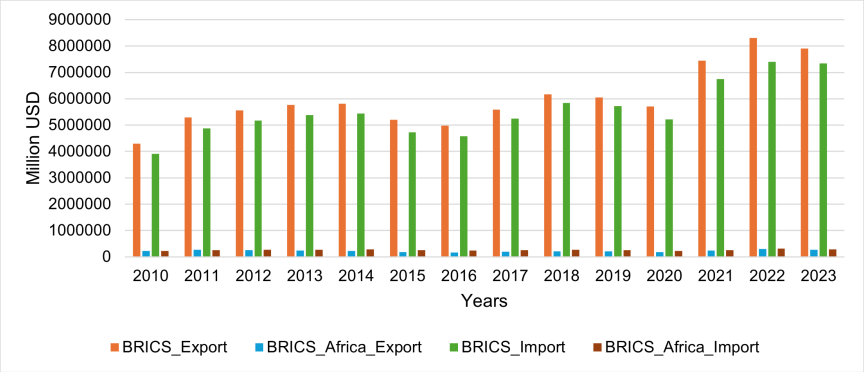
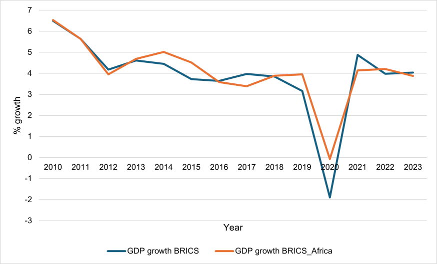
Trade Performance

- In 2023, BRICS countries collectively accounted for:
  - 39% of the global Gross Domestic Product (GDP)
  - 24% of global trade (combined exports and imports)
  - 48.5% of the world's total population
- Africa's Role in BRICS Trade (2010–2023 average):
  - Exports to BRICS: 3.8% of total BRICS imports
  - Imports from BRICS: 4.7% of total BRICS exports
- Africa in Global Trade:
  - Africa's share of global trade consistently remains below 3%
- Policy Implications:
  - Despite the limited trade share, BRICS membership offers opportunities for enhanced market access
  - A granular, product-level trade analysis is essential to assess Africa's comparative and competitive advantages

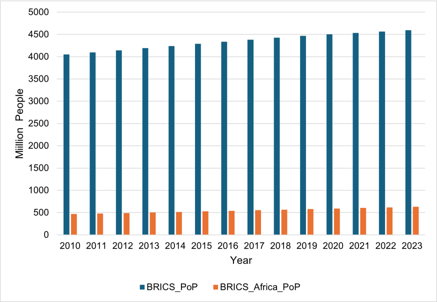
Exports and Imports of BRICS vs. African BRICS Members



GDP Growth and Population



GDP Growth

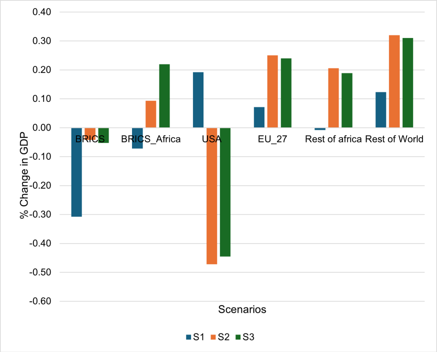


Population

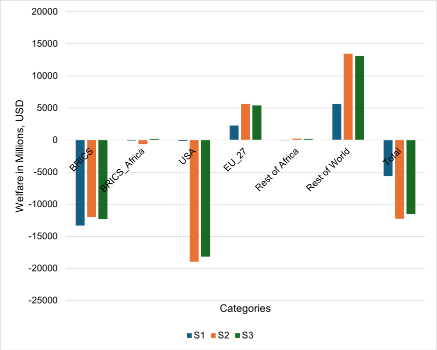
Methodology of the study

- Model Framework
  - The study employs a Computable General Equilibrium (CGE) model, based on the GTAP 7 model framework.
  - A Global Social Accounting Matrix (SAM).
  - Data is drawn from the GTAP version 10.1 database, which includes 65 economic sectors across 160 global regions.
- Scenario Design
  - Scenario 1: The United States unilaterally imposes a 100% tariff on all imported products.
  - Scenario 2: Reciprocal 100% tariffs are introduced between the United States and BRICS countries.
  - Scenario 3: 100% tariffs between the United States and BRICS, excluding African countries from tariff measures.
  - Additional Scenario: A separate scenario analyzes the integration of 185 countries into the model framework to evaluate its impacts on BRICS economies.

Results on GDP and Welfare

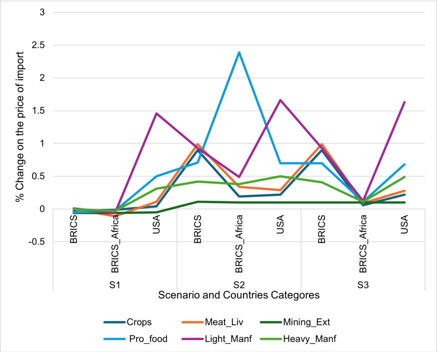


GDP

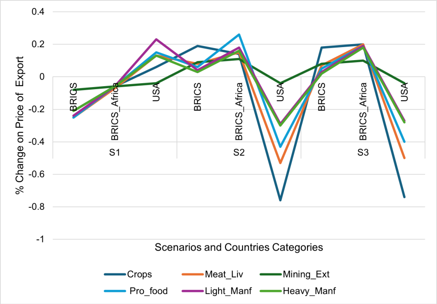


Welfare

Results on Prices



Price of Import



Price of Export

Results on outputs

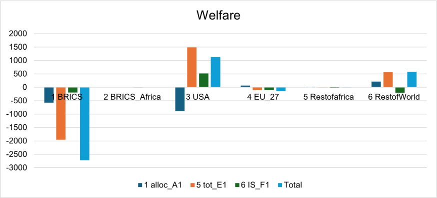
Products	S1			S2			S3		
	BRICS	BRICS_ Africa	USA	BRICS	BRICS_ Africa	USA	BRICS	BRICS_ Africa	USA
Crops	-0.45	-0.13	0.03	-1.6	0.14	-1.98	-1.62	0.3	-1.9
Meat &Livestock	-0.87	0.1	0.08	-2.8	-0.3	-2.49	-2.82	0.29	-2.39
Mining & Extraction	0.09	0.11	-0.06	0.05	0.18	-0.36	0.06	-0.06	-0.35
Processed food	-0.41	-0.05	-0.66	-1.29	-3.38	-2.22	-1.3	0.15	-2.12
Light Manufacturing	-0.97	-0.1	-3.07	-2.69	-0.79	-5.05	-2.71	0.23	-4.92
Heavy_ Manufacturing	-0.56	-0.06	-0.51	-1.07	-0.47	-2.28	-1.08	0.17	-2.21

Quantity of Import

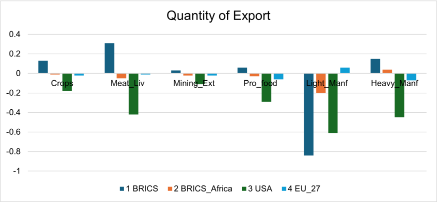
Products	S1			S2			S3		
	BRICS	BRICS_ Africa	USA	BRICS	BRICS_ Africa	USA	BRICS	BRICS_ Africa	USA
Crops	0.68	0.19	-0.44	0.4	0.19	-2.39	0.42	-0.08	-2.44
Meat &Livestock	1.59	0.11	-0.87	0.85	0.9	-2.96	0.84	0.55	-2.98
Mining & Extraction	0.18	-0.05	-0.44	0.08	-0.09	-0.08	0.08	-0.15	-0.13
Processed food	0.17	-0.11	-0.59	-0.02	-0.59	-3.36	-0.15	-0.02	-2.62
Light Manufacturing	-3.63	-2.11	-1.43	-4.17	-2.52	-5.29	-4.18	0.79	-5.17
Heavy_ Manufacturing	0.56	0.34	-1.05	-0.11	-0.01	-1.85	-0.1	-0.16	-1.8

Quantity of Export

Results of the Additional Scenario



Welfare



Quantity of Export

Conclusion

- Geopolitical polarization contributes to distortions in global trade patterns.
- Despite Africa's limited share in global trade, the continent remains vulnerable to these disruptions.
- The absence of direct trade restrictions on African countries does not exempt them from indirect consequences stemming from broader geopolitical tensions.

Policy Advice

- African nations should exercise due diligence when entering agreements with third-party states or blocs.
- Uncritical engagement in external agreements may weaken Africa's policy coherence and strategic autonomy.
- A more unified and cautious negotiation approach is essential to safeguard long-term continental interests in the evolving global trade landscape.

Thank you for listening! Grazie per l'attenzione!:

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