

Russia's Weak Economic Presence in Africa. A Review

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Russia's weak economic presence in Africa has become a thing of concern for some experts in the country and they wonder why the nation is not aggressive with this like its ally, China.

In July 2021, participants at the Association of Economic Cooperation with African States (AECAS), established under the aegis of the Secretariat of the Russia-Africa Partnership Forum (RAPF), agreed that lack of financial support was the major reason for this.

The forum, which had in attendance some leading Russian companies and banks, discussed an effective system of financing projects and supporting investment in Africa.

Financing projects in Africa is one of the important keys and, at the same time, the most difficult issue for major Russian companies attempting to expand to Africa, and the financial instruments at their disposal are insufficient, according to Anna Belyaeva, Executive Director of AECAS.

“We explicitly understand that the current funding mechanisms are not enough. We have analyzed the experience of European and Western colleagues from developed countries, our direct competitors in Africa: all of them already have mechanisms and funds focused on Africa,” she said.

Nikita Gusakov, Head of the Russian Export Credit and Investment Insurance Agency (EXIAR), reiterated that Africa was a priority for the agency, outlining a number of deals that EXIAR has been involved in on the continent.

He was also critical and frank on a few points relating to finance mechanisms and slowness in delivering on investment pledges and the extent these have affected effective economic cooperation between Russia and Africa.

“We have the desire and the capacity to finance projects in Africa. In our experience, there are two problems that need to be addressed: the low level of project planning by

Russian companies wishing to enter the African market, and the lack of awareness among Russian companies of the opportunities available on the African market,” Gusakov unreservedly underlined.

The meeting collectively acknowledged Africa as a huge continent that still requires economic development. Its active demographic growth and abundance of natural resources offer conditions to become the world’s biggest market in the next few decades.

Russians are searching for long-term businesses and entrepreneurship in a wide range of sectors, citing the presence of the strong presence of the United States, European Union members, China, India, and many others in the continent.

The current geopolitical developments and the scramble for emerging opportunities by external countries in Africa is the stacked reality.

Perspectives and outlook for future development are immense, some African leaders and particularly corporate business leaders with foreign players are consistently collaborating and fixing their strategic partnership networks within the continent, striving to understand the emerging challenges and mapping out how to seize the opportunity to build businesses in Africa.

In addition to that, foreign players are investing research and development (R&D) with their African partners. As Nikita Gusakov, Head of the Russian Export Credit and Investment Insurance Agency (EXIAR), reiterated at the meeting, one of the roadblocks is the lack of adequate knowledge among Russian companies about the opportunities available in Africa. It is partly due to limited interaction with the private sector actors and civil society.

There should be an emphasis on employing policy strategists who actually understand business cultural ideas, the current political and economic trends in Africa. Russians must also invest in more R&D collaborations with their African partners.

In order to raise the economic influence, Russians have been making efforts to identify a structured finance mechanism for mega infrastructure projects such as nuclear power and energy, natural resources exploration and to significantly increase trade with Africa.

For instance, the United States, European Union members, Asia countries such as China, India and Japan, have provided funds to support companies ready to carry out projects, and that include some basic researches, in various sectors in African countries. Some have publicly committed funds, including concessionary loans, for Africa.

During the last Ministerial Conference of the Forum on China-Africa Cooperation (FOCAC), Chinese **President Xi Jinping** said:

“China will expand cooperation in investment and financing to support sustainable development in Africa. China provided US\$60 billion of credit line to African countries to assist them in developing infrastructure, agriculture, manufacturing and small and medium-sized enterprises.”

It fully understands Africa’s needs and its willingness to open the door to cooperation in the field of scientific and technological innovation on an encouraging basis.

The method for financing the building of infrastructure is relatively simple. In general, governments obtain preferential loans from the Export-Import Bank of China or the China Development Bank, with the hiring of Chinese building contractors.

The Chinese policy banking system allows leading Chinese state-owned enterprises to operate effectively in Africa, with the majority of these activities in infrastructure and construction in Africa.

China has always been committed to achieving win-win cooperation and joint development with Africa. Russia could consider the Chinese model of financing various infrastructure and construction projects in Africa.

Official proposals for all kinds of support for trade and investment have been in the spotlight down the years.

In May 2014, Russian **Foreign Minister Sergey Lavrov** wrote in one of his policy articles published on the ministry's website:

“we attach special significance to deepening our trade and investment cooperation with the African States. Russia will provide African countries with extensive preferences in trade.”

Lavrov wrote:

“At the same time, it is evident that the significant potential of our economic cooperation is far from being exhausted and much remains to be done so that Russian and African partners know more about each other's capacities and needs. The creation of a mechanism for the provision of public support to business interaction between Russian companies and the African continent is highly on the agenda.”

After the first Russia-Africa Summit in the Black Sea city, Sochi in October 2019, Russia and Africa have resolved to move from mere intentions to concrete actions in raising the current bilateral trade and investment to appreciably higher levels in the coming years.

“There is a lot of interesting and demanding work ahead, and perhaps, there is a need to pay attention to the experience of China, which provides its enterprises with state guarantees and subsidies, thus ensuring the ability of companies to work on a systematic and long-term basis,” Foreign Minister Lavrov strongly suggested that year, back in 2014.

According to Lavrov, the Russian Foreign Ministry would continue to provide all round support for initiatives aimed at strengthening relations between Russia and Africa.

“Our African friends have spoken up for closer interaction with Russia and would welcome our companies on their markets. But much depends on the reciprocity of Russian businesses and their readiness to show initiative and ingenuity, as well as to offer quality goods and services,” he stressed.

Senator Igor Morozov, a member of the Federation Council Committee on Economic Policy, and Chairman of the Coordinating Committee on Economic Cooperation with Africa noted during one of the meetings that in conditions of pressure from sanctions, it has become necessary to find new markets, new partners and allies for Russia.

“This predetermines the return of Russia back to Africa, makes this direction a high priority both from the point of geopolitical influence and in the sphere of trade and economic context,” he underscored his objective comments.

“It is important for us to expand and improve competitive government support instruments for business. It is obvious that over the thirty years when Russia left Africa, a number of countries such as China, India, the United States and the European Union have significantly increased their investment opportunities there in the region,” Morozov stressed.

With a renewed growing interest in Africa, Russians are feverishly looking for establishing effective ways of entry into the huge continent.

As result, Senator Igor Morozov unreservedly suggested creating a new structure within the Russian Export Centre – an investment fund, explaining that “such a fund could evaluate and accumulate concessions as a tangible asset for the Russian raw materials and innovation business.”

His Coordinating Committee has the responsibility for adopting a more pragmatic approach to business, for deepening and broadening economic collaborations and for the establishment of direct beneficial contacts between entrepreneurs and companies from Russia and African countries.

The Coordinating Committee for Economic Cooperation with African States was created as far back in 2009 on the initiative of the Chamber of Commerce and Industry of the Russian Federation and Vnesheconombank with support from the Federation Council and the State Duma of the Federal Assembly of the Russian Federation. It has had support from the Ministry of Foreign Affairs, the Ministry of Economy and Trade, the Ministry of Natural Resources, as well as the Ministry of Higher Education and Science.

President of the Russian Chamber of Chamber and Industry, **Sergei Katyrin**, added his voice for the establishing a finance mechanism, saying “the primary task now is to accelerate Russia’s economic return to African continent, from which we practically left in the 90s and now it is very difficult to increase our economic presence there in Africa.”

According to Katyrin, Russia’s economic presence in Africa today is significantly inferior in comparison to the positions of leading Western countries and BRICS partners. “It’s time to overcome this yawning gap. Today, we face a difficult task to ensure the activities of Russian entrepreneurship on the African continent in the new conditions, taking into account all the consequences of the coronavirus pandemic.”

Katyrin, in addition, said

“we need a state financial mechanism to support the work of Russian business in Africa otherwise it will be very difficult to break through the fierce competition of Western companies with such support. We need to focus on those areas where we can definitely count on success.”

According to UNCTAD’s World Investment Report 2020, the top five investors in the African continent are European Union (Netherlands, France, Germany, United Kingdom), United States and China. There are also the Gulf States, United Arab Emirates and Turkey consistently playing active roles, and have had excellent results on the continent.

As the situation develops with many foreign players, Africa finds itself in an excellent advantageous position of having many suitors – each offering something it needs for its sustainable development.

In practical reality, the introduction of the African Continental Free Trade Area (AfCFTA), gives an additional signal for foreign players to take advantage of this new opportunity in Africa. It aims at creating a continental market for goods and services, with free movement of business people and investments in Africa. As trumpeted, the AfCFTA has a lot more on offer besides the fact that it creates a single market of 1.3 billion people.

Some policy researchers said in separate interviews that the Institute of African Studies under the Russian Academy of Sciences, with highly experienced researchers from the Soviet times, most probably has speedy answers to any searching questions on Africa. It can readily provide an appropriate and ready-to-go balanced broad sheet or outline comprehensive economic engagement strategies for Africa.

With its human resources, it has the capability of drawing up effective workable ways to accelerate the implementation of, at least, the decade-old bilateral agreements that were signed, and gamut of pledges that have largely remained undelivered in Africa.

Notwithstanding the setbacks down these years, Russians are still full of skyline optimism and hope to make some progress under the Secretariat of the Russia-Africa Partnership Forum (RAPF), which is overseeing the organizational and practical preparations of future summits. At least, after the last summit RAPF should have worked on concrete “three-year African Action Plan” – to set comprehensive step-by-step working programme for the period till next summit, instead it prefers working with its *ad hoc agenda*, during these years.

That said, however, Russia has its own approach towards Africa. It pressurizes no foreign countries neither it has to compete with other key external players, as it has its own pace for working with Africa. After the first Russia-Africa Summit, there is a well-functioning organizational structure. It looks forward to achieving more practical and comprehensive results from the new phase of relations between Russia and Africa.

With the same optimism towards taking emerging challenges and opportunities in Africa, Russia has to show financial commitment and ready itself for any investment risks especially now when the joint declaration adopted from the first historic Summit held in October 2019 ultimately sets the path for a new dynamism and provides an impetus for scaling up the existing Russia-Africa relations.

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