



* TOGETHER TOWARDS SUSTAINABILITY *

REDEFINING EUROPE-AFRICA RELATIONS

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The European Union's relations with the African continent are facing distinct challenges, with the impact of the Covid-19 pandemic making it all the more evident that the prevailing asymmetry is no longer acceptable as we move into the future.



This analysis takes a closer look at economic relations between the European Union and Africa, which for some time now have been on a downward trajectory, and addresses the impact of the global pandemic at the same time. Additionally, the paper outlines the current political cooperation between the two continents and evaluates the EU's recent strategy proposal. Lastly, the key aspects of more comprehensive strategic cooperation between Europe and Africa are identified.



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Summary

The European Union's (EU) relations with the African continent are facing a distinct set of challenges. Contrary to the expectations of both African and European governments, the pending negotiations between the partners are now being put to the test like never before. The global spread of Covid-19 has led to economic crises throughout the world – and the African continent is no exception. International organisations, the EU, and African institutions alike consider the economic and health crisis to be more serious than the 2008/2009 global financial crisis. This new economic crisis also impacts Europe's relations with Africa. The EU-African Union Summit, originally scheduled for October 2020 but now postponed until 2021, will be overshadowed by the global coronavirus crisis.

There is a significant risk that Africa-Europe relations will not attract as much interest as other global developments, with the USA, Europe and China too busy dealing with their own challenges.

The crisis has shown that the prevailing asymmetry is no longer acceptable as we move into the future. Now is the time for both sides to work together on finalising the much-needed reform packages and to recalibrate Europe's cooperation with Africa. To pave the way for these reforms, the EU Commission's plans for negotiations on future cooperation must be overhauled, particularly in relation to trade and economic relations, value chain integration, and the focus on job creation and poverty alleviation. Last but not least, cooperation on the issue of sustainability must be adjusted, especially against the backdrop of the climate catastrophe, which, besides hindering growth and causing job losses, poses a threat to agriculture and food supply on the African continent.

The concepts presented by the EU in March 2020 do not adequately address the challenges on the African continent and are not in Europe's strategic interest. Instead, what in fact needs to happen is for the EU to anticipate the developments on the African continent and recognise just how urgent it is to change course. Whether or not the German (and Portuguese) EU Council Presidency along with the other Member States and the EU Commission will be able to give this discussion the requisite impetus will only become clear in the coming months leading up to the EU-Africa Summit.

This paper begins by describing the EU's current economic relations with Africa (Chapter 1), which have been on a downward trajectory for quite some time already. The effects of the Covid-19 pandemic are then outlined in Chapter 2. Chapter 3 looks at the cooperation agenda with a particular focus on the new comprehensive EU-Africa Strategy »Towards a Comprehensive Strategy with Africa« (CSA). Chapter 4 outlines the key aspects of strategic cooperation between the EU and Africa.

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EU-AFRICAN ECONOMIC RELATIONS

European and African countries are at different stages of economic development, with European gross domestic product (GDP) more than ten times that of sub-Saharan Africa. Africa's GDP, while recording average annual growth of 4.6 per cent over the last 20 years, has not grown evenly across the continent. Nigeria and South Africa have been languishing for a long time and, as a result, are depressing the continent's average economic growth. Other countries, such as Ethiopia or Rwanda, on the other hand, recorded very high growth (see Figure 1).

Although average per capita income has been on the increase for the last 15 years, the current trends suggest that by 2030, around 380 million Africans will still be living in poverty. Most African countries do not converge.¹ One of the reasons for this is the lack of economic dynamism. Africa is falling behind other continents, rather than catching up, despite its relatively high growth. That said, following the lost decades of the 1980s and '90s, many African countries are now undergoing fundamental transformation. Thanks to urbanisation, digitalisation, integration into regional and global value chains, modernisation of agriculture and a new generation of dynamic young Africans, African populations are becoming increasingly self-confident. Another harsh reality, however, is that in some African countries, clientelist rulers have not embarked on the path of modernity and reform, but remain focused on keeping hold of power instead.²

¹ Africa is becoming more diversified. There are several emerging countries, such as Ethiopia, Kenya and Rwanda, as well as a number of middle-income countries like South Africa, Mauritius and Botswana, which are either converging or at least keeping pace. Some countries remain marginalized, with low growth and high levels of poverty. Many low-income countries are stagnating at a relatively low level, which is partly due to the high population growth in these countries. The pandemic is exacerbating this situation and has caused some of the countries that had been making good progress to fall behind again. Cf. Kappel, Robert/Reisen, Helmut (2019): G20 Compact with Africa. The Audacity of Hope. Berlin: Friedrich-Ebert-Stiftung: pp. 11-13; available at: <https://www.fes.de/en/e/study-g20-compact-with-africa>. Cf. Zeufack, Albert G./Calderon, Cesar/Kambou, Gerard/Djiofack, Calvin Z./Kubota, Megumi/Korman, Vijdan/Canales, Catalina Cantu (2020): An Analysis of Issues Shaping Africa's Economic Future, in: World Bank (2020): Africa's Pulse 21: pp. 12-22; available at: <https://openknowledge.worldbank.org/handle/10986/33541>.

² This paper does not provide a comprehensive economic analysis of the continent. For such an analysis, see, for example: Bhorat, Haroon/Tarp, Finn (2016): Africa's Lions: Growth Traps and Opportunities for Six African Economies. Washington, D.C.: Brookings.

TRADE

Africa currently accounts for less than three per cent of global trade (see Figure 2). In 1980, the corresponding figure still remained at 4.6 per cent but dropped to below two per cent in the 1990s, before increasing slightly post-2000. This latter development can partly be put down to rising export prices as well as increasing foreign direct investment (FDI), both of which contributed to increased trade. Above all, however, it can be attributed to the high demand for raw materials in China.³

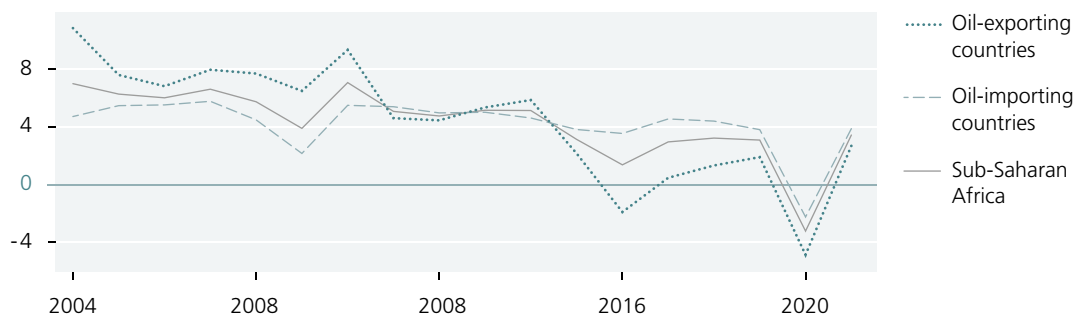
The EU is Africa's largest trade partner, although Africa's share of exports to the EU has been on the decline for a number of years now. This shift is mainly due to the fact that European countries have diversified their imports of raw materials, and other countries – such as China, India, Turkey and the Gulf countries – have linked their rise to the expansion of their commodity trade with Africa. In 2018, trade in goods between the 27 EU Member States and Africa reached a total value of 235 billion euros (32 per cent of Africa's total trade). Africa's trade with China by comparison amounted to 125 billion euros (17 per cent), while trade with the USA totalled 46 billion euros (six per cent).

Trade relations between the EU and Africa, while very close, remain extremely asymmetrical: With a total of 31 per cent of Africa's exports going to the 27 EU Member States and 29 per cent of Africa's imports coming from Europe (including 6.9 per cent and 6.6 per cent from France and Germany, respectively), the EU is Africa's biggest trade partner by far. Africa, in contrast, is a market with virtually no significance for the EU (imports from Europe accounted for 6.6 per cent in 1980, 3.2 per cent in 1990, but by 2019, they made up less than one per cent). China accounts for 11 per cent of exports and 16 per cent of imports. A mere four per cent of China's trade is carried out with Africa.⁴

³ Cf. Kappel, Robert/Pfeiffer, Birte/Reisen, Helmut (2016): Wie Chinas Neuausrichtung Afrikas Wachstum beeinflussen wird, in: Ökonomenstimme (23.6.2016); available at: <https://www.oekonomenstimme.org/artikel/2016/05/wie-chinas-neuausrichtung-afrikas-wachstum-beeinflussen-wird/>.

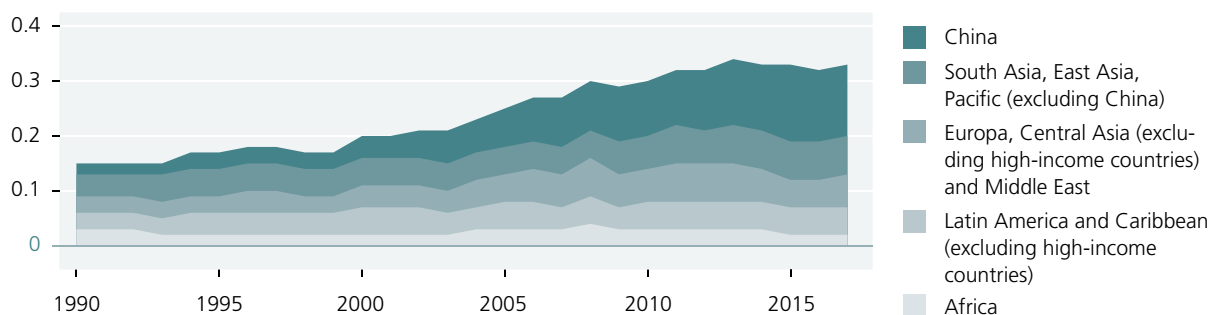
⁴ Cf. Abele, Corinne (2018): China agiert in Afrika zielorientiert und flexibel, in: Germany Trade & Invest (GTAI) (29.11.2018); available at: <https://www.gtai.de/gtai-de/trade/wirtschaftsumfeld/bericht-wirtschaftsumfeld/china/china-agierte-in-afrika-zielorientiert-und-flexibel-15670>.

Figure 1
Real GDP Growth in Africa (annual growth in per cent)



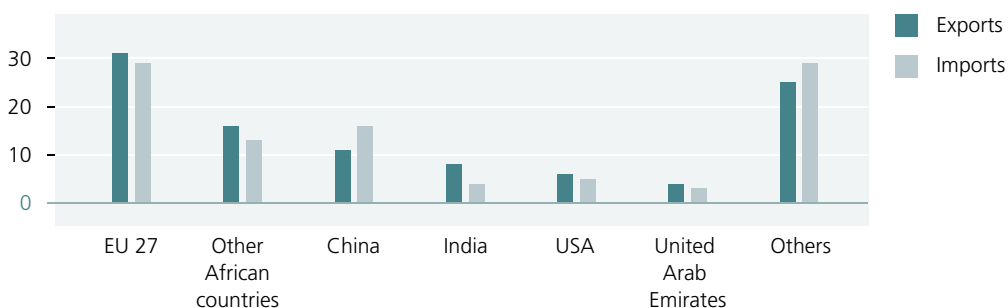
Source: IMF: Real GDP Growth, List 2020; available at: https://www.imf.org/external/datamapper/NGDp_r_pCH@afrrEo/SSa/oEXp/oiMp (last accessed on 20.9.2020).

Figure 2
Developing Economies' Share in Global Trade 1990-2017 (in per cent)



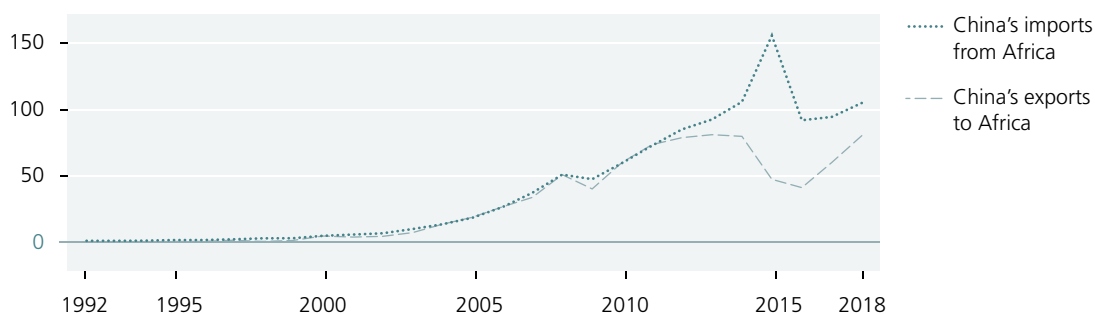
Source: Data from Hannah Timmis/Ian Mitchell: Reforming EU Trade Policy to Accelerate Economic Transformation in Africa, in: Center for Global Development (online) (16.10.2019); available at: <https://www.cgdev.org/publication/reforming-eu-trade-policy-accelerate-economic-transformation-africa>.

Figure 3
African Export and Import Shares with Key Trading Partners 2019 (in per cent)



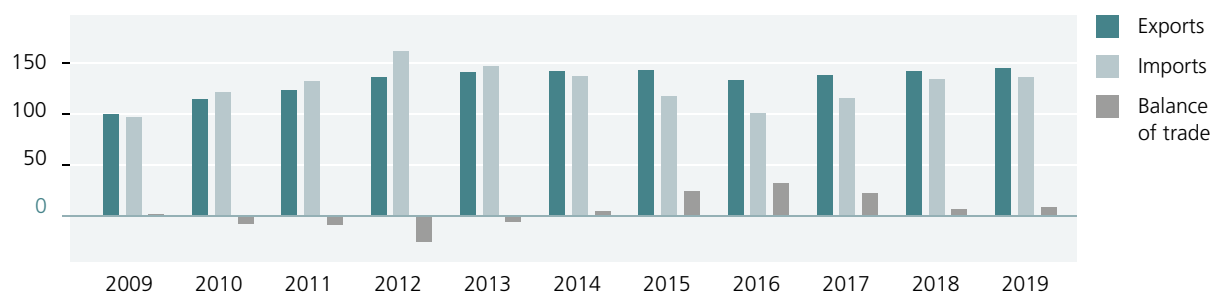
Source: UNCTAD (2020): Key Statistics and Trends in International Trade 2019. Geneva; available at: <https://unctad.org/webflyer/key-statistics-and-trends-international-trade-2019> (last accessed on 18.9.2020).

Figure 4
China's Trade with Africa 1992-2018 (bn USD)



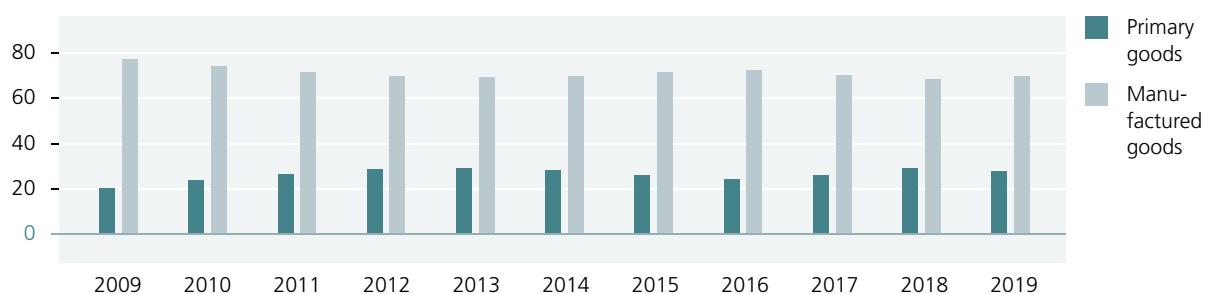
Source: Data from China Africa Research Initiative (Cari), Johns Hopkins University's School of Advanced International Studies (online); available at: <http://www.sais-cari.org/data-china-africa-trade> (last accessed on: 22.9.2020).

Figure 5
EU 27 Foreign Trade with Africa (bn EUR)



Source: Eurostat – Comext DS-018995; available at: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Africa-EU_-_international_trade_in_goods_statistics; (last accessed on 18.9.2020).

Figure 6
EU 27 Exports to Africa by Product Group 2009-2019 (in per cent)



Source: Eurostat – Comext DS-018995; available at: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Africa-EU_-_international_trade_in_goods_statistics; (last accessed on 18.9.2020).

In 2009, the EU's exports from and imports to Africa were more or less balanced. The European trade surplus was as little as 2.3 billion euros (see Figure 5). In the subsequent years, both imports from and exports to Africa increased, although there was slightly more growth in imports. This trend continued into 2012 when the European trade deficit reached 25 billion euros, which was largely a result of the increase in the price of raw materials. After 2012, imports from Africa declined, while European exports continued to grow. 2014 was a turning point, with the trade deficit turning into a 5.1 billion euro surplus. In 2016, the EU surplus in commodity trading surged to a record 33 billion euros. Growing imports from Africa subsequently resulted in a decline in the European trade surplus.

Industrial goods made up the lion's share of European exports to Africa, with 77 per cent of EU exports to Africa in 2009 being manufactured goods (see Figure 6). This dropped to 68 per cent in 2019, while the share of primary goods rose from 20 to 32 per cent. The declining share of manufactured goods was caused primarily by the decrease in machinery and vehicle exports as a share of total European exports to Africa (42 per cent in 2009, 36 per cent in 2019). A considerable proportion of raw materials exports are food products, accounting for approximately 14 per cent of total European raw materials exports since the 1980s.⁵

Primary goods dominate Africa's exports to Europe. Between 2009 and 2019, however, their share dropped from 77 to 66 per cent, primarily due to the declining share of energy exports resulting from falling oil and gas prices. During the same period, the share of industrial goods increased from 21 to 32 per cent. This is largely due to the increase in exports of machinery and vehicles from South Africa and North African countries.

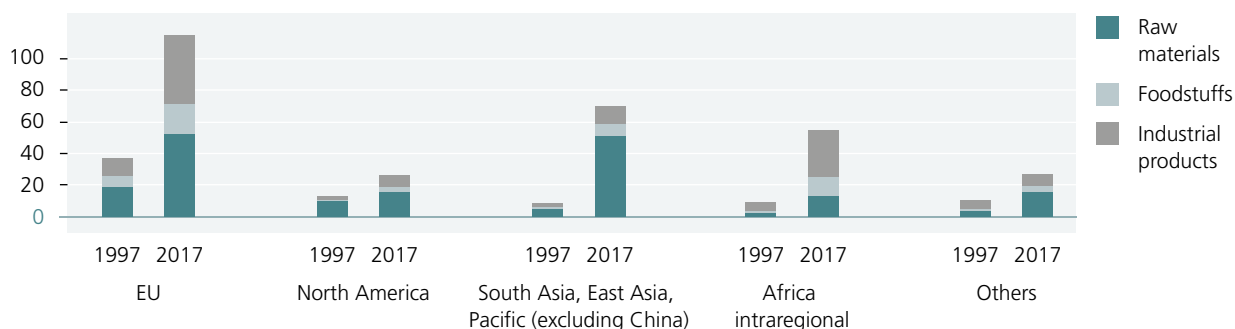
The composition of exports and imports is also different, with Africa exporting mainly unprocessed raw materials and agricultural products and the EU's exports to Africa mainly comprising capital and consumer goods (see Figures 7, 8 and 9). Exceptions here are the North African countries of Morocco, Tunisia and Egypt, as well as Mauritius, Kenya and South Africa, which have a more diversified export structure. Some countries such as Ethiopia and Senegal, for instance, have also successfully industrialised in the last few years and are now exporting more manufactured goods.⁶

The data illustrated in Figure 7 clearly show that although the EU is a major importer of African raw materials, the structure of those imports is far more diverse than in the USA and China. The EU exhibited the strongest growth in demand for African products with higher added value

⁵ Cf. Kappel, Robert (1996): Africa's Marginalisation in World Trade. A Result of the Uruguay Round Agreements, in: *Intereconomics* 31, 1, pp. 33-42.

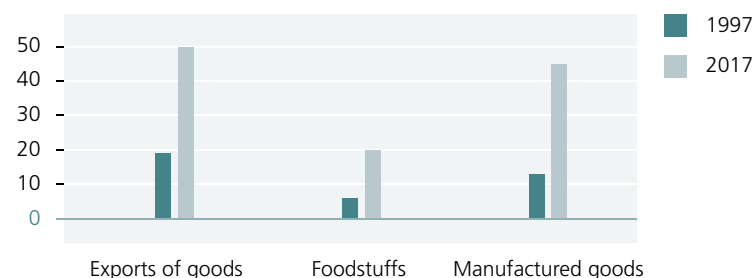
⁶ Cf. Kappel/Reisen (2019), op. cit.

Figure 7
Volume and Structure of African Exports by Country Group 1997 and 2017 (bn USD)



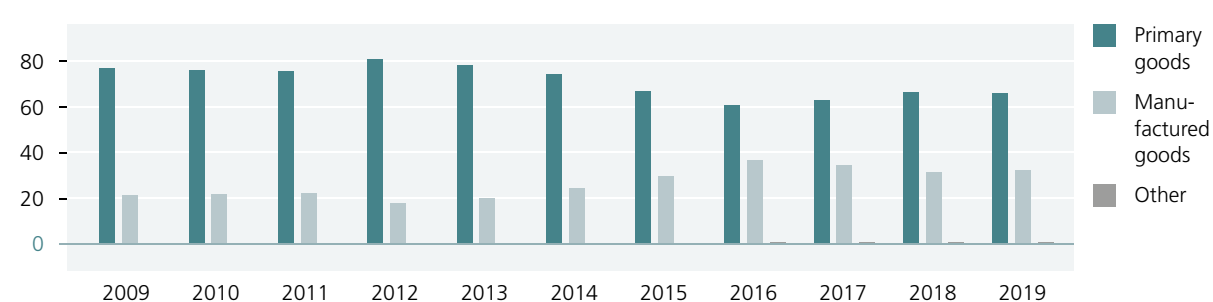
Source: Based on data from Timmis/Mitchell, op.cit. (last accessed on 22.9.2020).

Figure 8
Structure of African Exports to the EU (bn EUR)



Source: Eurostat – Comext DS-018995; available at: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Africa-EU_-_international_trade_in_goods_statistics; (last accessed on 18.9.2020).

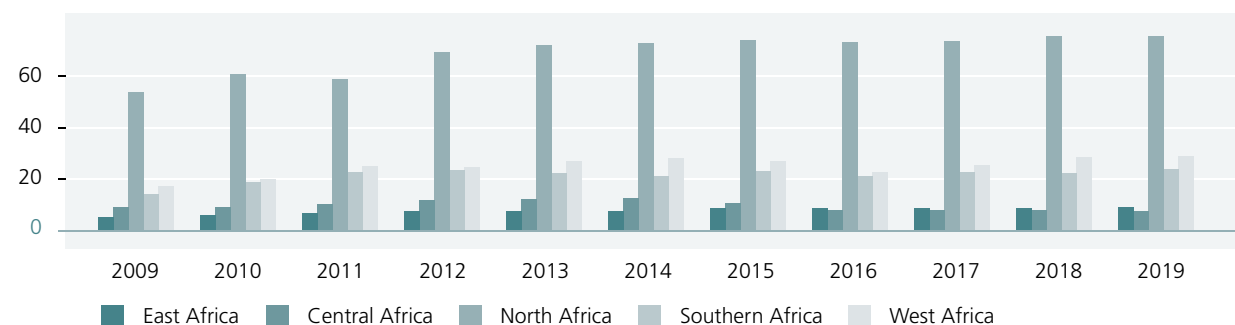
Figure 9
Africa's Exports to the EU 27 by Product Group (shares in per cent)



Source: Eurostat – Comext DS-018995; available at: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Africa-EU_-_international_trade_in_goods_statistics;

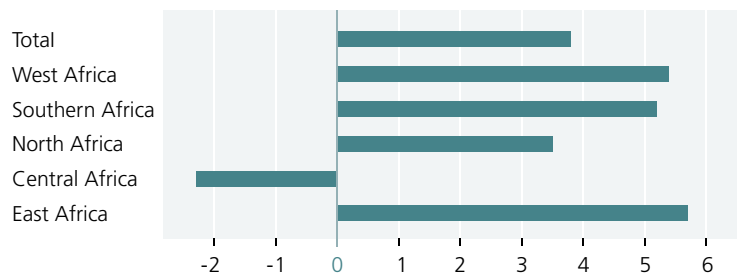
Explanation: Primary goods: food and drink, raw materials, energy; Manufactured goods: chemicals, machinery and vehicles; Other.

Figure 10
EU 27 Export of Goods to Africa by Region (bn EUR)



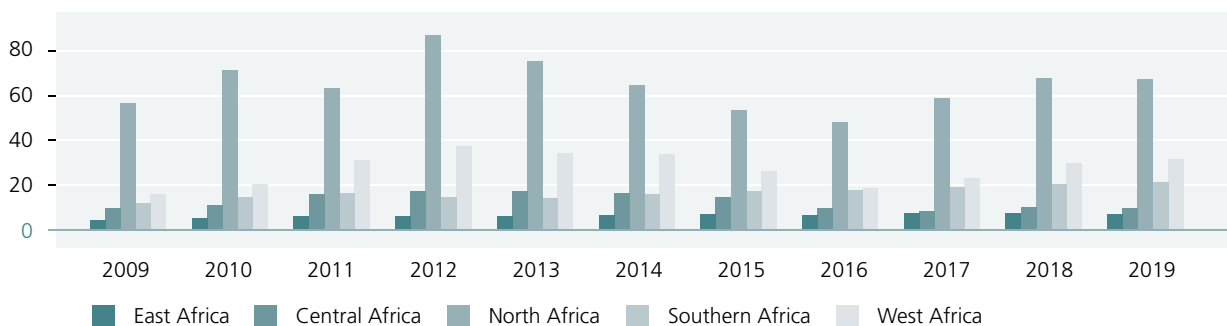
Source: Eurostat – Comext DS-018995; available at: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Africa-EU_-_international_trade_in_goods_statistics; (last accessed on 18.9.2020).

Figure 11
Average Growth of EU Exports to Africa 2009-2019 (in per cent)



Source: Eurostat – Comext DS-018995; available at: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Africa-EU_-_international_trade_in_goods_statistics; (last accessed on 18.9.2020).

Figure 12
EU 27 Imports of Goods from Africa by Region (bn EUR)



Source: Eurostat – Comext DS-018995; available at: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Africa-EU_-_international_trade_in_goods_statistics; (last accessed on 18.9.2020).

products from Africa.⁷ In 2017, these amounted to 42 billion US dollars or 37 per cent of total European imports from African countries (compared to 11 billion US dollars or 29 per cent in 1997). US and Chinese imports from Africa consist primarily of raw materials and far fewer industrial products, meaning European investments have a clear industrial focus.

North Africa⁸ is the EU's largest African trade partner. Goods exports from the EU to North Africa increased from 54 billion euros in 2009 to 76 billion euros in 2019 (see Figure 10), which corresponds to an average annual growth rate of 3.5 per cent. Growth rates for trade with East Africa was even higher (5.7 per cent), closely followed by West

Africa (5.4 per cent) and Southern Africa (5.2 per cent). Goods exports to Central Africa, in contrast, declined during this period (2.3 per cent) (see Figure 11).

Figure 12 illustrates the significance of imports from the five regions of Africa. Imports from North Africa fell slightly between 2009 and 2019. West Africa, on the other hand, recorded the highest growth rate (7.1 per cent), followed by Southern Africa (6.2 per cent) and East Africa (5.4 per cent). Although imports from North Africa (1.8 per cent) did not show such strong growth, they still accounted for almost half of all imports from Africa in 2019 (see Figure 13),⁹ making North Africa by far the EU's largest trade partner on the African continent, while East and Central Africa play a very marginal role.

France (27 billion euros), Germany (24 billion euros), Spain (19 billion euros), the Netherlands and Italy (17 billion euros each) were the largest exporters of goods to Africa in 2019. The same countries were also the largest importers of goods from Africa, with Spain (27 billion euros) taking the

⁷ For the following diagrams, see: Eurostat (2020): Africa-EU – International Trade in Goods Statistics; available at: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Africa-EU_-_international_trade_in_goods_statistics.

⁸ According to the United Nations Statistics Division (UNSD), North Africa comprises Egypt, Algeria, Morocco, Sudan, Tunisia and Western Sahara. West Africa comprises Benin, Burkina Faso, Ivory Coast, Gambia, Ghana, Guinea, Guinea Bissau, Cap Verde, Liberia, Mali, Mauretania, Niger, Nigeria, Senegal, Sierra Leone and Togo. Central Africa is made up of Equatorial New Guinea, Gabon, Cameroon, DR Congo, Republic of Congo, São Tomé and Príncipe, Chad, and the Central African Republic. Southern Africa includes Angola, Botswana, Eswatini, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, Zimbabwe and South Africa. East Africa comprises Ethiopia, Burundi, Djibouti, Eritrea, Kenya, Comoros, Rwanda, Zambia, Somalia, South Sudan, Tanzania, Uganda.

⁹ Cf. European Commission (2020): Trade Policy, Countries and Regions. West Africa; available at: <https://ec.europa.eu/trade/policy/countries-and-regions/regions/west-africa/>; Council of the European Union (no year of publication available): EU-Africa Relations. How do African Countries and the EU Cooperate?; available at: <https://www.consilium.europa.eu/en/policies/eu-africa/>. (last accessed on 20.8.2020).

top position, followed by France (24 billion euros), Italy, Germany (both with 21 billion euros) and the Netherlands (16 billion euros).

INVESTMENT

The African continent remains a peripheral region when it comes to international investment activity. While Africa's share in international investment was still around the 5.3 per cent mark in 1967, by 1980 it had plummeted to 2.6 per cent, subsequently falling to some two per cent by 2018.¹⁰ The importance of foreign direct investment inflows and stocks to and in Africa is declining. Investment data since the 1980s show that Africa's declining share of global investment appears to be of a longer-term nature.

In 2017, direct investment from Europe amounted to 222 billion euros (capital stock), which was five times higher than investment from the USA (42 billion euros) and China (38 billion euros). British, French, Dutch and Italian companies are the most important European investors in the African continent. Over the last ten years, Chinese FDI has been on a sharp upward trajectory (see Figure 15) placing it in fourth position when it comes to inflows after the USA, UK and France. China's FDI stock in Africa is still lower than that of European countries, amounting to just 15 per cent of total European FDI inflows.¹¹ Our statistical analysis also illustrates that, although the PRC has become an important investor, the gap between the EU and China is getting bigger rather than smaller. This is largely being caused by the steeply increasing Italian and Dutch investment volumes, which have compensated for the decline in FDI from France and the UK.¹²

FDI from Europe far exceeds all other investors, with the UK, France, Italy and Germany alone accounting for more than 20 per cent in 2015. Compared with 2009 (19.5 per cent), the European share had even shown a slight increase. US businesses are effectively scaling back investment. Nevertheless, US companies are still some of the most important investors in the African continent (see Figures 14, 15 and 16).

South Africa and China have both also significantly expanded their FDI stocks since 2010 (South Africa: 2.6 per cent to 3.5 per cent and China: 1.5 per cent to 4.3 per cent), while India has stagnated at two per cent. China recorded the largest FDI stock increase with a 23 billion US dollar rise in the last five years, more than doubling the size of its stocks, followed by the USA with 20 billion US dollars. For the EU Member States listed above, the share of FDI in Africa increased by 34 billion US dollars, meaning that EU investments have become even more important in recent years. The gap between the EU and China and the USA in this respect has continued to grow. France, however, once the most important external economic power in Africa, has lost its erstwhile leading position.¹³

Germany, too, is an important investor in the African continent (ranking tenth for FDI stocks in Africa). Its investment structure differs significantly from the other countries, however. The UK, France and the USA invest mainly in the raw materials and financial services sectors, while Germany is very strongly represented in industrial sectors. Germany's main investment focus is car and auto parts manufacturing (see Figure 18). This diagram presents a highly distorted picture, however. A significant share of German FDI is directed to the automotive and automotive parts manufacturing sector in South Africa. Removing South Africa from the equation would deliver a far less favourable picture of the sectoral distribution.

If all raw materials investments were taken out of the equation, Germany would most certainly be in a higher position in the global FDI ranking.¹⁴ That said, the German share of FDI on the African continent is on the decline. It can be argued that German investors are particularly active in innovative sectors, and, unlike US, French or British companies, barely invest in raw materials sectors at all. And this may well be the case. However, German investors are just as poorly represented in the knowledge and technology-intensive sectors. This applies as much to the IT and bank-

¹⁰ Cf. Kappel, Robert (1996): Europäische Entwicklungspolitik im Wandel. Perspektiven der Kooperation zwischen der Europäischen Union und den AKP-Ländern, in: INEF Report 17: pp. 13-14; available at: https://duepublico2.uni-due.de/receive/duepublico_mods_00027209; Bachmann, Heinz B. (1991): Industrialized Countries' Policies Affecting Foreign Direct Investment in Developing Countries, in: World Bank/IFC/MIGA: PAS Research Paper Series, vol. 1, Main Report. Washington, D.C.; UNCTAD (2020): World Investment Report 2020. New York.

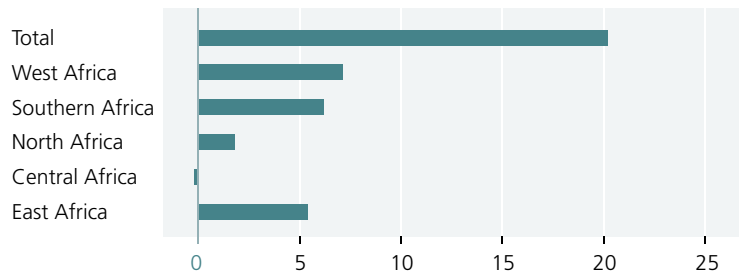
¹¹ Cf. Eurostat: EU Direct Investment Positions, Breakdown by Country and Economic Activity; available at: https://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=bop_fdi6_pos&lang=en. See also: Pairault, Thierry (2020): Investment in Africa: China vs »Traditional Partners« – part 1, in: The China Africa Research Initiative Blog. China in Africa. The Real Story (31.7.2020); available at: <http://www.chinaafricarealstory.com/2020/07/guest-post-investment-in-africa-china.html>; Thierry Pairault (2020): Investissements en Afrique: La Chine et les »partenaires traditionnels«, in: pairault.fr. Blog Chine-afrique (23.1.2020); available at: <https://www.pairault.fr/sinaf/index.php/publications/1829-investissements-en-afrique-la-chine-et-les-partenaires-traditionnels>.

¹² Cf. Pairault, Thierry (31.7.2020).

¹³ Cf. Kappel, Robert (2016): Holen die BRICS auf? Auslandsdirektinvestitionen in Afrika – eine empirische Darstellung, in: Weltneuvermessung (12.8.2016); available at: <https://weltneuvermessung.wordpress.com/2016/08/12/holen-die-brics-auf-auslandsdirektinvestitionen-in-afrika-eine-empirische-darstellung/>; also Kappel, Robert (2018): Gemischter Satz. Deutschlands Wirtschaftsbeziehungen zu Afrika, in: Weltneuvermessung (13.3.2018); available at: <https://weltneuvermessung.wordpress.com/2018/03/13/gemischter-satz-deutschlands-wirtschaftsbeziehungen-zu-afrika/>.

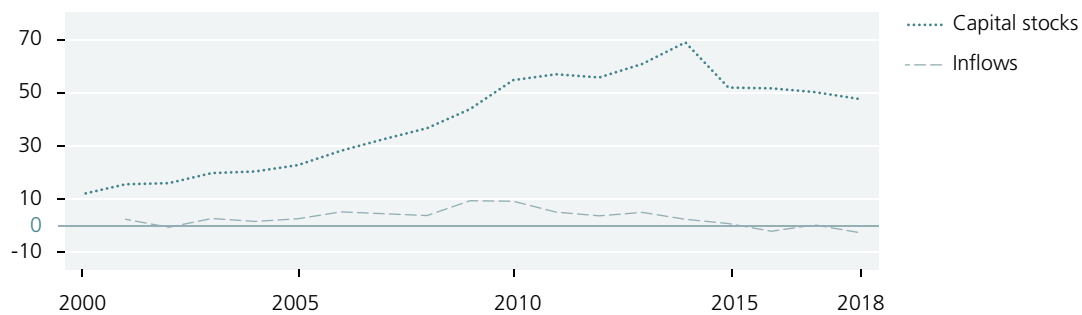
¹⁴ Cf. Heinemann, Tim: Warum halten sich deutsche Unternehmen mit Investitionen in Afrika zurück?, in: KfW Research. Volkswirtschaft Kompakt 171 (27.12.2018); available at: <https://www.kfw.de/PDF/Download-Center/Konzernthemen/Research/PDF-Dokumente-Volkswirtschaft-Kompakt/One-Pager-2018/VK-Nr.-171-Dezember-2018-FDI-in-Afrika.pdf>. Cf. Reisen, Helmut (2019): Deutschlands Direktinvestitionen in Afrika bleiben niedrig, in: Weltneuvermessung (15.8.2019); available at: <https://weltneuvermessung.wordpress.com/2019/08/15/deutschlands-direktinvestitionen-in-afrika-bleiben-niedrig/>. A total of 800 German companies are active on the continent, employing approximately 200,000 workers, more than half of them in South and North Africa. Between Cape Town and Casablanca, German investments are few and far between. German companies are therefore not comparable with those from China, the USA, the UK or France, whose investment activity on the African continent is of an entirely different scale.

Figure 13
Average Growth of EU Imports from Africa 2009-2019 (in per cent)



Source: Eurostat – Comext DS-018995; available at: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Africa-EU_-_international_trade_in_goods_statistics; (last accessed on 18.9.2020).

Figure 14
US Investment in Africa (bn USD)



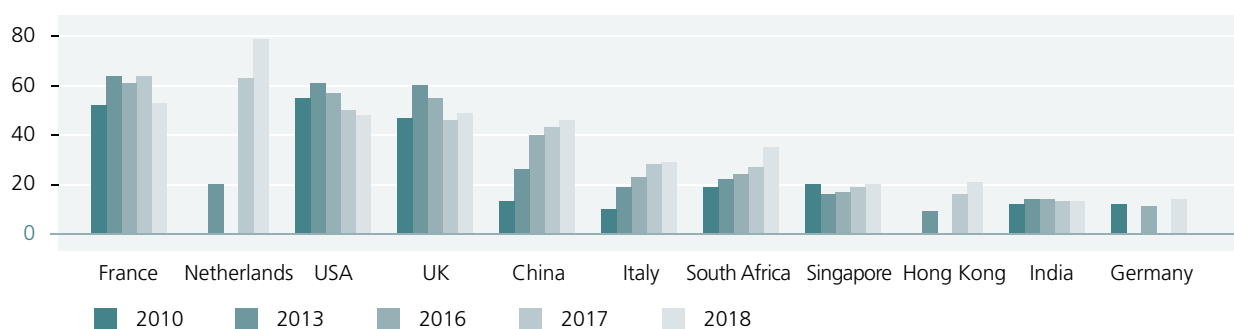
Source: UNCTAD: World Investment Report 2020. Geneva; available at: <https://unctad.org/webflyer/world-investment-report-2020>; as well as UNCTAD World Investment Report for other years (last accessed on 18.9.2020).

Figure 15
US and Chinese FDI in Africa (Total inflows bn USD)



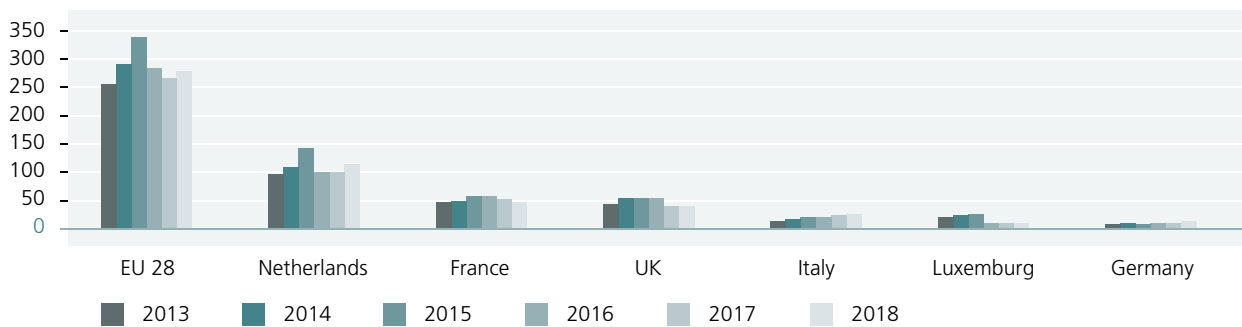
Source: Data from SAIS; available at: <http://www.sais-cari.org/chinese-investment-in-africa> (last accessed on 17.6.2020).

Figure 16
FDI Stocks in Africa 2010-2018 (bn USD)



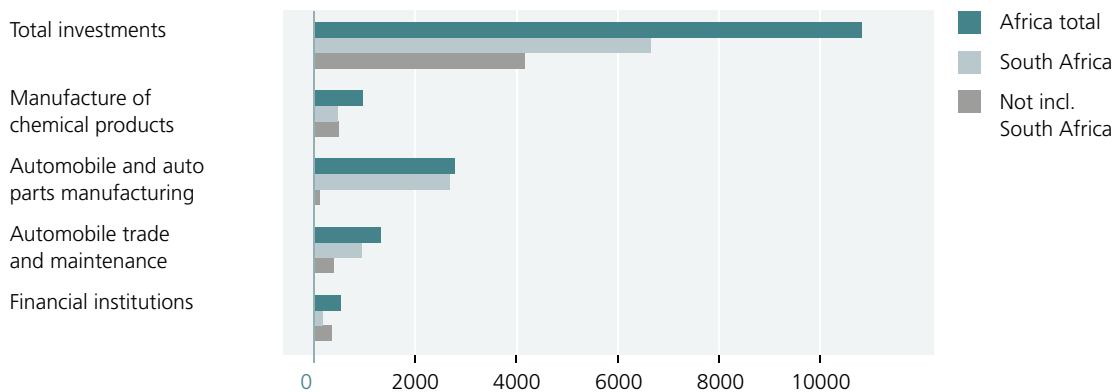
Source: UNCTAD: World Investment Report 2020. Geneva; available at: <https://unctad.org/webflyer/world-investment-report-2020>; (last accessed on 18.9.2020).

Figure 17
European FDI Stocks on the African Continent 2013-2018 (bn USD)



Source: UNCTAD: World Investment Report 2020. Geneva; available at: <https://unctad.org/webflyer/world-investment-report-2020> (last accessed on 18.9.2020).

Figure 18
German Investment Structure on the African Continent (EUR bn)



Source: Statistisches Bundesamt (2019): Statistisches Jahrbuch 2019, p. 450; available at: https://www.destatis.de/DE/Themen/Querschnitt/Jahrbuch/statistisches-jahrbuch-2019-dl.pdf?__blob=publicationfile. Also: Deutsche Bundesbank: Das Deutsche Auslandsvermögen Ende 2018, in: Bundesbank Pressemitteilungen (30.9.2019); available at: <https://www.bundesbank.de/de/presse/presstemen/30-9-2019> (last accessed on 18.9.2020).

ing sectors as to the cultural and creative industries, and the media and film industry. Germany is also losing influence in automotive engineering, as Japanese, US and Chinese investors gain ground in this sector. The food industry, tourism and the construction sector are not doing much better when it comes to German investment. German companies are even lagging behind in the start-up sector. Here, AfricaConnect and other German initiatives are dedicated to promoting investment activity on the continent.¹⁵

Compared with companies from the USA, France, the UK, China, South Africa and the United Arab Emirates (UAE), German investors create more jobs per one million US dollars invested (see Table 1, Figure 19).¹⁶ The reason for this is that German businesses invest predominantly in the manufacturing industry. The large number of jobs created can essentially be explained by Germany's high level of industrial investment in South Africa and several countries in Northern Africa. These are all middle-income countries with an emerging middle class, a relatively diversified industrial structure and a comparatively strong manufacturing industry.¹⁷

¹⁵ On German activities, see: BMZ (2019): Minister Müller startet Entwicklungsinvestitionsfonds; available at: https://www.bmz.de/de/presse/aktuelleMeldungen/2019/juni/190604_pm_029_Minister-Mueller-startet-Entwicklungsinvestitionsfonds-Neue-Marktchancen-in-Afrika-durch-nachhaltige-Investitionen/index.html. (22.9.2020); Cf. Kappel/Reisen (2019), op. cit.; Kappel, Robert (2020): Die Neujustierung der deutschen Afrikapolitik. Universität Leipzig, Institut für Afrikastudien; available at: <https://www.ssoar.info/ssoar/handle/document/66470>. Cf. Bonschab, Thomas/ Kappel, Robert (2020): Ankündigen und umsetzen – für eine konsequentere Afrikaagenda des BMZ während der deutschen Ratspräsidentschaft. <https://weltneuermessung.wordpress.com/2020/08/24/ankundigen-und-umsetzen-fuer-eine-konsequentere-afrika-agenda-des-bmz-waehrend-der-deutschen-ratspraesidentschaft/>.

¹⁶ Cf. Kappel (2020), op. cit.; cf. Felbermayr, Gabriel/Yalci, Erdal (2016): Engagement der deutschen Wirtschaft in Afrikanischen Staaten, in: ifo Forschungsberichte 71, ifo Institut – Leibniz-Institut für Wirtschaftsforschung; available at: https://www.ifo.de/DocDL/ifo_Forschungsberichte_71_2016_Felbermayr_Yalciin_Afrika.pdf (last accessed on 15.7.2020). The data used here was provided by Ernst & Young on the basis of FDI intelligence and give us an approximate impression of the scale., cf. Ernst & Young (2019): EY Africa Attractiveness Report 2019. How Can Bold Action Become Everyday Action? EY Attractiveness Program Africa Report September 2019. Cf. Mbaye, Ahmadou Aly/Gueye, Fatou (2018): Labor Markets and Jobs in West Africa, Working Paper Series 297. Abidjan: African Development Bank; available at: <https://EconPapers.repec.org/RePEc:adb:adbwps:2424> (last accessed on 18.9.2020).

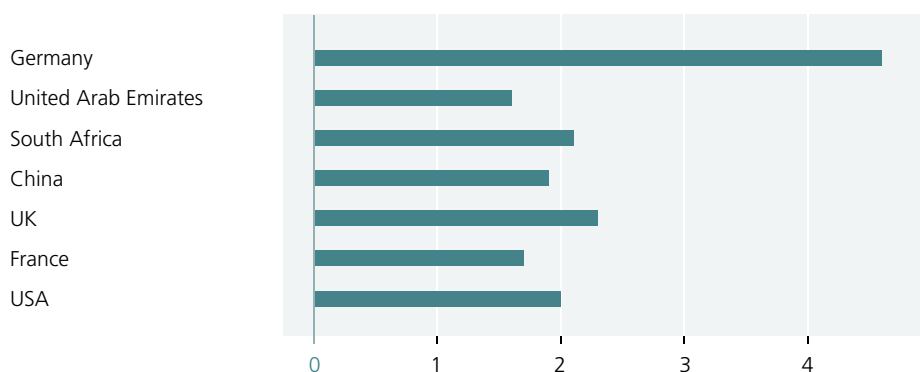
¹⁷ See, for example, on Tunisia: Bass, Hans-Heinrich/Kappel, Robert/Wohlmuth, Karl (2017): Starting Points for a National Employment Strategy for Tunisia, Tunis, April 2017. <http://library.fes.de/pdf-files/iez/13336.pdf> (last accessed on 18.9.2020).

Table 1
Jobs Created Through FDI 2014-2018

	Jobs created (in 1000s)	Investment (bn USD)	Jobs per one million USD of FDI
USA	62	30,9	2,0
France	58	34,2	1,7
UK	41	17,8	2,3
China	137	72,2	1,9
South Africa	21	10,2	2,1
UAE	39	25,3	1,6
Germany	32	6,9	4,6

Source: Based on data from FDI Intelligence and Ernst & Young (2019), How Can Bold Action Become Everyday Action? EY Attractiveness Program Africa, Report September 2019. https://assets.ey.com/content/dam/ey-sites/ey-com/en_g/topics/attractiveness/ey-africa-attractiveness-report-2019.pdf (last accessed on 18.9.2020).

Figure 19
Jobs per one Million USD of FDI, on Average 2014-2018



Source: Based on data from FDI Intelligence and Ernst & Young (2019), op.cit. p. 18, as well as UNCTAD (2019): World Investment Report 2019. New York.

China and India have successfully managed to position themselves as global networkers. Africa-China cooperation has increased dramatically. At the same time, this has broadened the scope for African countries to move beyond their all-too present postcolonial dependency. That said, we should be cautious about being overly optimistic in our assessment of China's investment activities. The high level of infrastructure investment,¹⁸ the investment structure and the structure of foreign trade, in particular, make it clear that this is not a new form of cooperation with Africa. In fact, the unilateral focus on raw materials investments is aimed at supplying the Chinese economy. Although China also invests in industry, the links with local businesses are weak, meaning these investments make barely any contribution to Africa's endogenous growth.

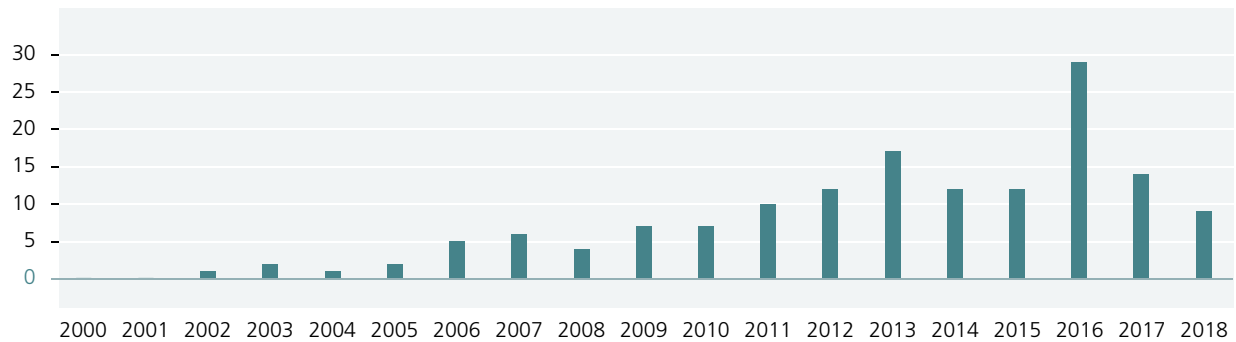
Chinese companies have invested largely in raw materials sectors, such as natural oil and gas as well as copper, iron and uranium.¹⁹ Chinese firms working in raw material extraction play a major role in Africa's construction sector. The most active Chinese construction companies in Africa are China Railway Construction, China Communications Construction, China National Machinery Industry Corporation (Sinomach) and State Construction Engineering. Compared to German investments, Chinese projects generate fewer jobs per one million US dollars invested.²⁰

¹⁸ Cf. de Meo, Andrea (2020): Political Risk in Infrastructure Investments in Sub-Saharan Africa, in: Carlo Secchi/Alberto Belladonna (eds): Infrastructure in a Changing World. Trends and Challenges. Milan: ISPI: pp. 47-56; available at: www.ispionline.it/sites/default/files/pub-blicazioni/ispireport-infrastruttura_2020.pdf (last accessed on 20.9.2020). Cf. Felbermayr, Gabriel/Goldbeck, Moritz/Sandkamp, Alexander (2019): Chinas ausländische Direktinvestitionen. Ein Überblick, in: Kiel Policy Brief 123. IfW Kiel Institut für Weltwirtschaft; available at: <https://www.econstor.eu/handle/10419/195069> (last accessed on 15.9.2020).

¹⁹ Cf. Germany Trade & Invest (GTAI) (2018): China in Afrika – Perspektiven, Strategien und Kooperationspotenziale für deutsche Unternehmen. Berlin; available at: <https://www.gtai.de/gtai-de/trade/wirtschaftsumfeld/studie/suedafrika/studie-china-in-afrika-perspektiven-strategien-und-46476>.

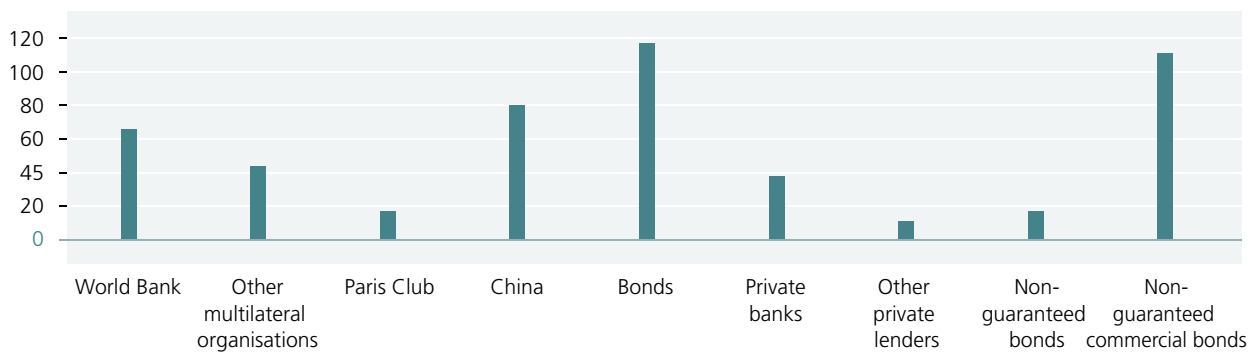
²⁰ Cf. Ernst & Young (2019), op. cit. Cf. African Development Bank (AfDB) (2018): Africa's Infrastructure. Great Potential but Little Impact on Inclusive Growth, in: African Economic Outlook 2018. Abidjan: pp. 63-94; available at: www.afdb.org/fileadmin/uploads/afdb/Documents/publications/african_Economic_outlook_2018_-_EN.pdf. (18.9.2020). On competition between Europe and China, see: Karkare, Poorva/Calabrese, Linda/Grimm, Sven/Medinilla, Alfonso (2020): European Fear of »Missing Out« and Narratives on China in Africa. Brussels: European Think Tanks Group (ETTG); available at: <https://www.die-gdi.de/en/others-publications/article/european-fear-of-missing-out-and-narratives-on-china-in-africa/> (last accessed on 20.9.2020).

Figure 20
Chinese Lending to Africa (bn USD)



Source: <http://www.sais-cari.org/data> (last accessed on 18.9.2020).

Figure 21
African Debt 2018 (bn USD)



Source: Data based on Deborah Brautigam/Yufan Huang/Kevin Acker (2020): Debt Relief with Chinese Characteristics. in: Cari Briefing Paper 3. Washington, D.C.; available at: <http://www.sais-cari.org/publications-briefing-papers-bulletins> (last accessed on 18.9.2020).

Between 2000 and 2017, China issued 130 billion euros in loans to African governments and state-owned enterprises, with the funds being used mainly for infrastructure expansion.²¹ According to the China Africa Research Institution (CARI), China is now the largest bilateral creditor in the region, accounting for 20 per cent of Africa’s public debt.²²

On the question of FDI and the role of foreign financial flows on the African continent, three politically motivated preconceptions are currently being propagated in Africa: 1. China is one of the most important investors in the continent and is »buying it up«. ²³ Our analysis shows, however, that China’s economic importance on the African continent is hugely overestimated, whereas the diversity of Chinese activity receives very little attention. 2. Almost all investments are in the raw materials and energy sectors. However, a more detailed analysis shows that Chinese companies have also invested in manufacturing and agri-

²¹ Cf. Timmis, Hannah/Gavas, Mikaela (2019): What Does China’s Investment in Africa Mean for Europe?, in: Center for Global Development Blog (14.11.2019); available at: <https://www.cgdev.org/blog/what-does-chinas-investment-africa-mean-europe>.

²² Cf. Brautigam, Deborah (2020): China, the World Bank, and African Debt. A War of Words, in: The Diplomat (17.8.2020); available at: <https://thediplomat.com/2020/08/china-the-world-bank-and-african-debt-a-war-of-words/>; cf. Acker, Kevin/Brautigam, Deborah/Huang, Yufan (2020): Debt Relief with Chinese Characteristics. Cari Working Paper 39. Washington, D. C.; available at: <http://www.sais-cari.org/publications-working-papers> (last accessed on 22.9.2020).

²³ In 2012, for instance, Die Welt ran an article with the headline: »Chinesische investoren kaufen halb Afrika auf« (Chinese investors buy up half of Africa). Cf. Erling, Johnny/Putzier, Konrad: Chinesische investoren kaufen halb Afrika auf, in: Die Welt (online, 19.7.2012); available at: https://www.welt.de/print/die_welt/wirtschaft/article108338768/Chinesische-Investoren-kaufen-halb-Afrika.html; and David Dollar writes: »Since 2000, China has emerged as Africa’s largest trading partner and a major source of investment finance as well«. Cf. Dollar, David (2016): Order from Chaos. Setting the Record Straight on China’s Engagement in Africa, in: The Brookings Institution (11.7.2016); available at: <https://www.brookings.edu/blog/order-from-chaos/2016/07/11/setting-the-record-straight-on-chinas-engagement-in-africa/>. On China’s role in Africa’s growth, see: Kappel/Pfeiffer/Reisen (2016), op. cit. I am unable to conduct a comprehensive analysis of Chinese activities within the constraints of this paper and as such refer to Brautigam, Deborah (2011): The Dragon’s Gift. The Real Story of China in Africa. New York: Oxford University Press.

culture in recent decades.²⁴ A trend towards more industrial and service investments can be observed. 3. Foreign financial flows have played the pivotal role in Africa's development process. This is, in fact, not the case. Local investment and tax revenues have been just as instrumental for Africa's growth.

In every respect, the EU is an important external actor for Africa and has indeed been strengthening its position on the African continent rather than scaling down its activities. The increasing share of European FDI in manufacturing and services, in particular, – along with the diminishing focus on the raw materials sector – has enabled European companies to consolidate their economic position. Nevertheless, here too, caution is called for: Contrary to all assertions, FDI and trade – and this includes with the EU – are not overly effective. They neither generate a large number of jobs, though certain high-quality investments can give knowledge and technology transfer a boost, nor do they make a significant contribution to industrial or agricultural development on the African continent. As demonstrated below, this is related to the asymmetrical relationship between the two continents, FDI's weak links with local industry and especially with the endogenous dynamics of Africa's economic development, which is less dependent on external transfers today than ever before.

²⁴ On this, see: School of Advanced International Studies - China Africa Research Initiative (SAIS-CARI) at Johns Hopkins University in Washington, D. C.; available at: <http://www.sais-cari.org/publications-working-papers>.

2

EFFECTS OF THE COVID-19 PANDEMIC ON AFRICAN ECONOMIES

The pandemic and the global recession that came in its wake have impacted the development of every single sector of the economy in the countries of Africa. A year ago, in its Africa's Pulse report, the World Bank forecast that sub-Saharan African economies would grow by 2.8 per cent in 2019 and 2020.²⁵ Recent studies show that this target is now out of reach, however. The United Nations Economic Commission for Africa (UNECA), for instance, expects African economic growth to plummet from a potential 3.2 per cent to 1.8 per cent in 2020, which is lower than population growth. For some years already, average economic growth in Africa has been on the decline, amounting to just 3.3 per cent from 2014 to 2019 (see Figure 1).

In the worst case scenario, Africa's average GDP growth could fall by eight to ten percentage points, which would result in negative growth of -3.9 per cent. The World Bank reported that the Covid-19 outbreak triggered the first recession in sub-Saharan Africa in 25 years. According to OECD estimates, each month of strict containment measures will result in a two percentage point drop in Africa's annual average GDP growth. That said, it has become apparent that many African countries have responded effectively to the pandemic and, with the exception of a small number of countries, such as South Africa, the number of Covid-19 cases has remained relatively low.

The worldwide recession has already caused dramatic demand and supply shocks. The result has been extensive production and welfare losses,²⁶ with the ILO anticipating between 19 and 22 million job losses in Africa. This is particularly worrying given that just 18 per cent of African em-

ployees are covered by social protection schemes. UNECA further estimates that the impact on African economies will push as many as 29 million people into extreme poverty (defined as living on less than 1.90 US dollars per day).²⁷ Sumner et al. (2020)²⁸ expect up to half a billion people worldwide to slip below the poverty line again. This would imply an additional 112 million poor in sub-Saharan Africa, which would correspond to a 25 per cent increase and would cancel out much of the progress made in reducing poverty over many years. As Sumner et al. (2020) point out, the situation is exacerbated by the fact that 17 per cent of African households affected by Covid-19 will face at least transient poverty.

Informal labour²⁹ is extremely widespread in Africa. Informal workers are at great risk of falling into poverty. Women are often more vulnerable to the effects of the

²⁵ Cf. Zeufack, et al., (2020), op. cit.; World Bank (2020): For Sub-Saharan Africa, Coronavirus Crisis Calls for Policies for Greater Resilience (9.4.2020); available at: <https://www.worldbank.org/en/region/afr/publication/for-sub-saharan-africa-coronavirus-crisis-calls-for-policies-for-greater-resilience>; OECD (2020): COVID-19 in Africa. Regional Socio-Economic Implications and Policy Priorities, in: OECD: Tackling Coronavirus (COVID-19). Contributing to a Global Effort (7.5.2020); available at: <https://www.oecd.org/coronavirus/policy-responses/covid-19-and-africa-socio-economic-implications-and-policy-responses-96e1b282/>.

²⁶ Cf. World Bank (9.4.2020); OECD (7.5.2020); Cf. Akiwumi, Paul (2020): COVID-19. A Threat to Food Security in Africa, in: OECD Development Matters (11.8.2020); available at: <https://oecd-development-matters.org/2020/08/11/covid-19-a-threat-to-food-security-in-africa/>.

²⁷ Cf. Dabalen, Andrew/Paci, Pierella (2020): How Severe Will the Poverty Impacts of COVID-19 be in Africa?, in: World Bank Blogs (5.8.2020); available at: <https://blogs.worldbank.org/africacan/how-severe-will-poverty-impacts-covid-19-be-africa>. The authors estimate that the increase in poverty will be 13 million people at the very least. Depending on how long the pandemic continues, these figures may well be substantially higher.

²⁸ Cf. Sumner, Andrew/Hoy, Chris/Ortiz-Juarez, Eduardo (2020): Estimates of the Impact of COVID-19 on Global Poverty, in: United Nations University World Institute for Development Economics Research (UNU-WIDER): WIDER Working Paper 43; available at: <https://www.wider.unu.edu/publication/estimates-impact-covid-19-global-poverty>. (last accessed on 15.8.2020). Vos, Rob/Martin, Will/Laborde, David (2020): How Much Will Global Poverty Increase Because of COVID-19? International Food Policy Research Institute (IFPRI) (20.3.2020); available at: <https://www.ifpri.org/blog/how-much-will-global-poverty-increase-because-covid-19>; Kappel, Robert (2020): COVID-19. Wie Afrikanische Länder in die Krise geraten, in: Weltneuvermessung (31.3.2020); available at: <https://weltneuvermessung.wordpress.com/2020/04/01/covid-19-wie-afrikanische-laender-in-die-krise-geraten/>; Cf. Sayeh, Antoinette/Chami, Ralph (2020): Lifelines in Danger, in: International Monetary fund: Finance and Development 57 (2): pp. 16-19; available at: <https://www.imf.org/external/pubs/ft/fandd/2020/06/COVID19-pandemic-impact-on-remittance-flows-sayeh.htm>. (last accessed on 20.8.2020). Lakemann, Tabea/Lay, Jann/Tafese, Tevin (2020): Africa after the Covid-19 Lockdowns: Economic Impacts and Prospects. Hamburg: GIGA Focus Afrika 6 (2020); available at: <https://www.giga-hamburg.de/en/publications/21606562-africa-after-covid-19-lockdowns-economic-impacts-prospects/> (last accessed on 14.10.2020).

²⁹ Cf. Schwettmann, Jürgen (2020): Covid-19 and the Informal Economy. Impact and Response Strategies in Sub-Saharan Africa. Berlin: Friedrich-Ebert-Stiftung; available at: <https://www.fes.de/referat-afrika/wirtschaftspolitik> (last accessed on 20.9.2020).

pandemic, primarily because of the dominant role they play in community-based activities, as the main caregivers and as formal and informal healthcare workers, as well as their reliance on agriculture and service activities. Millions of women's jobs have already disappeared. The largest number of job losses will be experienced in hotels, retail, food production and the manufacturing industry. Overall, 90 per cent of Africa's jobs are in the private sector.³⁰

The OECD forecasts that African countries' public debt in relation to GDP could rise from 58 per cent (2019) to 85 per cent (2020).³¹ African governments' external debt is with multilateral organisations such as the World Bank and the IMF. Overall, 32 per cent of their borrowing is from bilateral creditors (20 per cent of which is to China³², see Figure 20) and a further 32 per cent from private lenders. Many African countries were already highly indebted even before the Covid-19 outbreak. The external debt of the countries of sub-Saharan Africa rose from 236 billion US dollars to 583 billion US dollars between 2008 and 2018. The current recession simply exacerbates the debt crisis and limits the possible courses of action open to African governments: in 2020, African countries spent around a quarter of their budget revenues servicing debts.³³

The changes brought by the pandemic have led to restrictions on economic activities within African countries and the establishment of trade barriers. Global demand for raw materials and agricultural products from Africa has dropped sharply. Tourism has come to a standstill. Europe, the USA and China are in crisis mode and this has hampered economic development in Africa in various ways:

- The economic crisis in Europe, the emerging countries, China and the USA is depressing global economic growth, which is hitting the low-income countries particularly hard due to their dependence on commodity exports. UNECA, for instance, has estimated that Africa's total income from exports of raw materials could contract by around 100 billion US dollars, with revenues from oil exports alone potentially seeing a drop of 65 billion US dollars. As a result of their low export diversity, with exports of raw materials making up a significant share of total exports, African countries such as Southern Sudan (99 per cent), Chad (92 per cent), Angola (88 per cent), Nige-

ria (76 per cent) and Zambia (74 per cent) are affected particularly strongly by fluctuations in demand and prices. This has serious repercussions. Due to the fact that crude oil exports generate 76 per cent of Nigeria's foreign exchange, the 60-per cent drop in oil prices since the start of 2020 to less than 30 US dollars per barrel has reduced the country's export revenue drastically. The sharp drop in prices is predicted to reduce export earnings by five billion US dollars (1.3 per cent of GDP) within three months and 8.6 billion US dollars (2.2 per cent of GDP) within six. In fact, Nigeria's oil exports plummeted by 60 per cent in the first half of 2020.³⁴

- The price of Liberia's top export goods iron ore and timber have declined, impacting its foreign exchange revenues and growth hugely and causing a rise in poverty at the same time.³⁵
- The drop in the demand for clothing on European markets has put clothing exports from countries such as Kenya, Lesotho, Madagascar and others on a downward slope, resulting in tens of thousands of job losses.
- Countries that are better integrated in value chains (such as Kenya in flower production or South Africa in the automotive industry) have also been severely affected by the pandemic. The Kenyan flower sector has suffered major losses in the past six months as a result of the sharp drop in demand for flowers. A total of 500,000 people employed in Kenya's flower industry are reported to have temporarily lost their jobs.³⁶
- Lockdowns in the OECD countries, China and other emerging countries have resulted in a downturn in demand and a further drop in the price of raw materials, while reduced imports have caused bottlenecks in the supply of certain major consumer and investment goods etc.
- Many export sectors are heavily dependent on the import of intermediate goods, machinery etc. These sectors are now having problems generating the necessary foreign exchange for imports.
- Revenues from tourism (worth a total of 35 billion US dollars in 2018) including hotels, restaurants and airlines have plummeted, resulting in job losses. The impact of Covid-19 on tourism and transport has had significant

³⁰ Cf. EDFI (2020): A Call for Action to European Governments and their Development Finance Institutions – Saving Jobs in Africa (30.4.2020); available at: www.edfi.eu/news/callforaction.

³¹ Cf. OECD (7.5.2020), op. cit.; See also: Jones, Alexi/Sergejeff, Katja/Sherriff, Andrew/Teevan, Chloe/Veron, Pauline (2020): The Challenge of Scaling up the European Union's Global Response to COVID-19, in: European Centre for Development Policy Management (ECDPM): Briefing Note 116; available at: <https://ecdpm.org/publications/challenge-scaling-up-european-union-global-response-covid-19/>. (last accessed on 20.9.2020).

³² African countries' debt to China totals around 133 billion US dollars. Cf. Brautigam (2020), op. cit.

³³ Cf. Lopes, Carlos (2020): Africa Must Revise its Priorities in the Face of Covid-19, in: New African (22.4.2020); available at: <https://newafricanmagazine.com/23167/>.

³⁴ On the state of Nigeria's economy, see: Premium Times (23.9.2020); available at: <https://www.premiumtimesng.com/business/business-news/416452-nigerian-banks-still-strong-despite-covid-19-impact-cbn-governor.html>. On the development of exports, see: Nairametrics (2.9.2020); available at: <https://nairametrics.com/2020/12/07/nigerias-foreign-trade-hits-n8-4-trillion-in-q3-2020-as-import-rises-by-38/>. See also: World Bank Data Blog (16.9.2020); available at: <https://blogs.worldbank.org/opendata/tracking-socioeconomic-impacts-pandemic-nigeria-results-first-three-rounds-nigeria-covid>.

³⁵ On Liberia, see: More Liberians to Slip into Poverty, in: Daily Observer (4.8.2020); available at: <https://www.liberianobserver.com/news/more-liberians-to-slip-into-poverty/>.

³⁶ Cf. Ashley, Caroline/te Velde, Dirk Willem (2020): Vulnerable Workers in Global Value Chains – Ambitious Collaboration Needed, in: Business Fights Poverty (20.4.2020); available at: <https://businessfightspoverty.org/articles/vulnerable-workers-in-global-value-chains-ambitious-collaboration-needed/>.

- adverse effects on trade in services, while lockdowns have reduced the demand for business services.³⁷
- The lower foreign exchange rates for African oil and metal exporters have triggered negative income effects as imports have become more expensive, causing a decline in private and public saving.
 - Reduced foreign exchange reserves adversely affect the availability of capital and financing.
 - According to the World Bank, Covid-19 has reduced foreign financing flows and contributed to capital flight from African countries, leaving large companies, factories and SMEs underfunded or non-operational. In the medium term, this will reduce local production capacities and place more jobs at risk.
 - Remittances from Africans living abroad contribute to the income of millions of families and are an important source of development finance. These transfers have helped alleviate poverty, provide medical treatment, finance schooling, promote local businesses and strengthen the role of women. Remittances have been received to the tune of over 60 billion US dollars since 2015, making them Africa's largest source of external financing. During the crisis, however, they have declined significantly, a development which has hit the low-income and fragile states especially hard. For economies and families that rely on remittances from abroad, the current crisis means a drop in their income.³⁸ Any decline in remittance flows will also weaken ongoing efforts to end poverty, hunger and inequality. Compared with the volatile foreign investment and portfolio flows, remittances are considered to be more stable and can even have counter-cyclical effects which mitigate external economic shocks.
 - The global crisis is also negatively impacting Africa's tax revenues on various levels. Many countries in Africa finance their government spending through import trade taxes and customs duties. In those African countries which export raw materials, income from this source still made up 80 per cent of government revenue in 2013 and in the oil-rich countries of Algeria, Angola, Guinea, the Congo and Libya, this figure amounted to 20 per cent of GDP. As these revenues have declined, so, too, has the scope for action that these countries have. Governments' fiscal scope may be more limited and external borrowing costs would increase, which would see the prospects of debt sustainability deteriorate further.³⁹
 - The terms-of-trade shock vulnerability in the Africa Risk Reward Index produced by the consulting company NKC African Economics indicates that, in the event of a sustained economic shock, Angola, Gabon, Ethiopia, Ghana, Tunisia, Zambia and Kenya would be the most vulnerable to debt crises.⁴⁰
 - The Covid-19 crisis also exposes the fragility of the food system. As a consequence of Covid-19, there is a danger of the continent falling into a devastating food security crisis. If trade barriers or export bans are adopted as well, agricultural production could shrink by between 2.6 and 7 per cent. Food imports would decline due to a combination of higher transaction costs and lower domestic demand. These losses are a result of interruptions to the trade and value chains, which would affect countries exporting raw materials and those that are more involved in value chains in particular. Given Africa's dependency on food imports, there is a risk of an additional 70 million people being unable to meet their daily food and nutritional needs.⁴¹
 - Corona-related restrictions have also delayed infrastructure and construction projects and many startups and small and medium-sized enterprises (SMEs) throughout Africa are facing closure and job losses.

The pandemic has made us aware just how fragile and volatile Africa's economies and societies are. It highlights the continent's extreme dependency on market fluctuations in other parts of the world, especially OECD countries and China, e.g. on price and demand fluctuations, financial flows, and decisions made outside the African continent. It illustrates the volatility of Africa's integration in global supply chains and how, in these times of crisis, this can result in job losses and company bankruptcies. The pandemic also draws attention to the fact that Africa is positioned at the end of supply chains and depends on market changes, technological change and decisions made by the big international players. Globalisation has brought to the fore just how little influence Africa has on financial flows (remittances, investments, loans). The African continent is a peripheral region of the global economy and yet it is one that is particularly strongly affected by negative developments. The debt crisis that is about to hit so many African countries underscores just how fragile development is there. Moreover, the G20 and the OECD countries have already begun to put together reform packages that will define the course of African development once again, holding the lever controlling financial resource allocation as they do. And the crisis support packages these funds will be channeled into are no more than those deemed problematic in the

³⁷ Cf. Mendez-Parra, Max (2020): Trade and the Coronavirus: Africa's Commodity Exports Expected to Fall Dramatically, in: Supporting Economic Transformation (26.3.2020); available at: <https://set.odii.org/trade-and-the-coronavirus-africas-commodity-exports/>; Cf. Akiwumi, Paul (21.8.2020).

³⁸ On developments in 2020, see: Adikhari, Samik (2020): COVID-19 is Reducing Domestic Remittances in Africa: What Does it Mean for Poor Households? in: World Bank Blogs (9.6.2020); available at: <https://blogs.worldbank.org/african/covid-19-reducing-domestic-remittances-africa-what-does-it-mean-poor-households>. For more general information on this, see: Bisong, Amanda/Ahairwe, Pamela Eunice/Njoroge, Esther (2020): The Impact of COVID-19 on Remittances for Development in Africa, in: European Centre for Development Policy Management (ECDPM): ECDPM Discussion Paper 269; available at: <https://ecdpm.org/publications/impact-covid-19-remittances-development-africa/>; Cf. Sayeh/Chami (2020), op. cit.

³⁹ Cf. World Bank, op. cit. (9.4.2020).

⁴⁰ Cf. NKC African Economics (2020): Africa Risk Reward Index; available at: <https://www.africaneconomics.com/> (lasts accessed on 22.9.2020).

⁴¹ Cf. Akiwumi, op. cit. (11.8.2020).

1990s, albeit under a different guise.⁴² However, the economic crises brought on by external events reveal that the international financial institutions, the G20, as well as the EU are overstretched. And this is primarily because their actions are based on »new« strategies which in fact strongly resemble the old and thus fail to contribute to economic development that is both sustainable and socially acceptable.

⁴² IMF (2020), IMF Emergency Assistance to Africa on COVID-19: Finance, Debt-Relief and Policy Reforms (2.6.2020); available at: <https://www.worldbank.org/en/events/2020/06/02/imf-emergency-assistance-to-africa-on-covid-19-finance-debt-relief-and-policy-reforms>.

3

COOPERATION WITH AFRICA: FROM LOMÉ TO A COMPREHENSIVE STRATEGY WITH AFRICA

In recent years, the European Union and EU member states have developed numerous new Africa strategies. These reflect the challenges of cooperation in very different ways as well as the respective shifts in economic policy. For example, commodity stabilisation policies were linked to the ideas of the New World Economic Order promoted by UNCTAD during the 1970s and stabilisation concepts to the neo-liberal ideas of the Chicago School of the 1980s and the policies of the Thatcher and Reagan administrations, while today's concepts are partly guided by the ideas of inclusive growth (pro-poor growth), redistribution of global inequality and sustainability agendas.

In as early as 1958, the Treaty of Rome set out the foundations for postcolonial relations between the then European Economic Community and Africa. The subsequent Yaoundé, Lomé and finally Cotonou Agreement between the EU and the African, Caribbean and Pacific Group of States (ACP) created close ties, for example through commodity price stabilisation,⁴³ development aid, the creation of jointly staffed institutions, and the establishment of an ACP Brussels Office. Measures to promote industrialisation in Africa, however, were not on the agenda.

The Cotonou Agreement signed in 2000 and in particular the Joint Africa-EU Strategy (JAES) adopted in 2007 signalled a gradual turn in the relations between the EU and Africa. Up until then, the relationship had been characterised by postcolonial dynamics. There are four main reasons behind this development: Firstly, China's strategic approach made it the EU's main competitor in trade, investment and development cooperation. Secondly, for some 15 years already, African countries had been recording relatively high growth rates. Thirdly, migration from African countries to the EU had been on the rise as a result of conflict and crisis. And, fourthly, numerous new African initiatives, such as the African Union's Agenda 2063 plan for the transformation of Africa and the African Continental Free Trade Area (AfCFTA) adopted in 2019,⁴⁴ bear witness to the fact that African states are acting increasingly strategically and are exploring opportunities for cooperation with multiple actors.

⁴³ Cf. Kappel (1996), op. cit.

⁴⁴ Africa Union (2019): African Continental Free Trade Area; available at: <https://au.int/en/cfta>. (last accessed on 22.9.2020).

The JAES adopted in 2007 had already emphasised the need for »a move away from a traditional relationship« to »forge a real partnership characterized by equality«. The Juncker Plan – the Africa-Europe Alliance for Sustainable Investment and Jobs⁴⁵ (AEA) aimed to take the development of cooperation with Africa in a new direction. China's geostrategic moves acted as a catalyst for Europe to develop its own geostrategic concept. The AEA was ultimately replaced by the »Towards a Comprehensive Strategy with Africa« (CSA) proposal in March 2020.⁴⁶ The CSA is a European document which serves as a framework for talks between the EU and the AU. The third main agenda dedicated to a new form of cooperation with Africa is the External Investment Plan (EIP).

The challenges facing EU-African relations are immense. Over the next ten years, the focus will be on transforming what has so far been paternalistic cooperation into a strategic partnership. In order to achieve this, however, a number of fundamental decisions need to be made. EU political leaders claim that 2020 is »pivotal year« for the EU's relationship with Africa. The new EU-Africa Strategy adopted in March 2020 envisages building a »stronger, more ambitious« partnership with Africa. Ahead of the strategy being adopted, the European Commission president Ursula von der Leyen called for a »partnership of equals«, moving beyond the donor-recipient dynamics that have characterised relations between the EU and Africa for so long. Instead, the EU-Africa Strategy seeks to pave the way for genuine cooperation.⁴⁷

The AEA was unveiled without discussions with the African states and includes ten action plans. The measures proposed in the document include the expansion and diversi-

⁴⁵ European Commission (2018): Africa-Europe Alliance. Boosting Investment and Trade for Sustainable Growth and Jobs. https://ec.europa.eu/commission/africaeuropealliance_en (last accessed on 18.9.2020).

⁴⁶ European Commission (2020): Joint Communication to the European Parliament and the Council. Towards a Comprehensive Strategy with Africa. JOIN (2020) 4 final (online), Brussels (9.3.2020); available at: <https://op.europa.eu/en/publication-detail/-/publication/55817dfb-61eb-11ea-b735-01aa75ed71a1/language-en>. (last accessed on 18.9.2020).

⁴⁷ Cf. Debuysere, Loes (2020): Why the EU Should Take the Global Lead in Cancelling Africa's Debt, in: Centre for European Policy Studies, 16.4.2020; <https://www.ceps.eu/why-the-eu-should-take-the-global-lead-in-cancelling-africas-debt/>. Cf. Dietrich John (2020), Partnerschaft auf Augenhöhe, 9.3.2020; Brussels: HSS, <https://www.hss.de/news/detail/partnerschaft-auf-augenhoehe-news6013/>.

fication of trade between the EU and Africa, support for the AfCFTA through more Aid for Trade (AFT) and the improvement of intra- and interregional connectivity. Although the AEA itself quickly disappeared from the discussion again, a slightly watered down version came back to the table in the form of the CSA. What is interesting is that the AEA document is focused on economic issues and develops much clearer ideas for cooperation between Europe and Africa than the CSA does.⁴⁸ The AEA set itself the goal of creating ten million jobs within five years by increasing FDI. With the EU Investment Plan for third countries, which is a key component of the AEA, the EU has already provided 4.6 billion euros in blended finance and guarantees since 2018. These funds are aimed at mobilising public and private investment to the tune of 47 billion euros. In addition to this, since 2018, EU funds amounting to almost 1.4 billion euros have been invested in measures to improve the investment climate in Africa as well as regulatory conditions for businesses.

Another important component of the European Africa Agenda was the External Investment Plan (EIP)⁴⁹ which was launched in 2017. The objectives of the EIP are to leverage private finance, focus on jobs and growth, reach the poorest and most vulnerable, improve the investment climate, and encourage innovation to foster sustainable and inclusive economic and social development and growth. The EIP also aims to create decent jobs, eradicate poverty and foster entrepreneurship. By offering investors various risk-sharing products, including subsidies and guarantees, the EIP aims to mobilise, by 2020, a total of 44 billion euros in additional risk financing for projects alongside technical assistance and policy dialogue, both of which aim at improving the business environment in African countries. The EU Commission is fully aware that projects in poor and fragile African states are chronically underfunded by the European Development Finance Institutions (DFIs). The funding shortfall is especially acute in low-income countries and fragile African states where demographics pose a challenge, the destruction of the environment is proceeding apace, the financial markets are nascent and institutions are weak.⁵⁰ The EIP comprises two main components: (1) A guarantee mechanism for European and non-European DFIs and private investors and (2) A »three-pillar approach« to mobilising investment based on the use of financial instruments (pillar 1) combined with non-financial technical assistance aimed at developing a pipeline of bankable projects (pillar 2) and improving the business environment in partner countries through policy dialogue (pillar 3). The financial arm of the EIP, the European Fund for Sustainable Development (EFSD) comprises a guarantee fund and blended finance facilities.

It would make a lot of sense for the EIP objectives to be included in the comprehensive package of negotiations between the EU and the African states and institutions in order to improve the chances of achieving the EIP's proposed objectives, i.e. financing for SMEs, the creation of better conditions for investment and the provision of risk capital. The EIP's planned focus on low-income countries, in particular, could help create the urgently needed jobs in small-scale industry and agriculture.

The key aims set down in the CSA are to stimulate trade and sustainable investment in Africa, promote reforms for the improvement of the business environment and investment climate, improve access to high-quality education, skills, research, innovation, health and social rights, and advance economic integration. The European Commission is committed to minimising the risks to the environment, with climate change posing a particular threat to African countries. The Commission outlines important aspects such as the circular economy, sustainable value chains and food systems, the promotion of renewable energy sources, reduction of emissions, protection of biodiversity and the ecosystem as well as support for green and sustainable models of urbanisation. In this context, the EU Commission emphasises the importance of the AEA for sustainable investment job creation in Africa.

Among the proposed actions in the CSA are: Action 3: Substantially increase environmentally, socially and financially sustainable investments that are resilient to the impacts of climate change; promote investment opportunities by scaling up the use of innovative financing mechanisms; and boost regional and continental economic integration, particularly through the ACFTA. Action 4: Attract investors by supporting African states in adopting policies and regulatory reforms that improve the business environment and the investment climate, including the creation of a level-playing field for businesses. Action 5: Rapidly enhance learning, knowledge and skills, research and innovation capacities, particularly for women and youth, protecting and improving social rights, and eradicating child labour. Growth and job creation are at the heart of the CSA.

In this context, the EU Commission expressly places the issue of sustainability at the centre of its growth concept for Africa. That said, what remains relatively unclear is how the climate activities are to be linked with the economic and social concepts (the fight against poverty and inequality). What is evident is that the CSA reflects the EU's interests. The Comprehensive Strategy for Cooperation with Africa is intended to contribute to strengthening cooperation between the EU and Africa in all areas.⁵¹

⁴⁸ The nebulous content in the CSA may be related to the fact that the EU Commission's document was de-prioritised by some of the EU Member States.

⁴⁹ Cf. European Commission (2020): EU External Investment Plan; https://ec.europa.eu/eu-external-investment-plan/home_en.

⁵⁰ Cf. Kappel/Reisen (2019), op. cit.

⁵¹ Unlike Europe, China has jointly formulated and adopted the following »ten major cooperation plans« with Africa, incorporating all key aspects of cooperation: industrialisation, modernisation of agriculture, infrastructure development, financial cooperation, green development, support for trade and investment, eradication of poverty, public health care, cultural and people-to-people exchange as well as cooperation for peace and security, cf. Abele, op. cit.

4

FORGING A STRATEGIC PARTNERSHIP: RECOMMENDATIONS FOR ACTION

In light of the significant challenges on the African continent, resulting from or at least exacerbated by the pandemic, the question arises as to what shape a future partnership might take and how this can contribute to growth, structural change, industrial and agricultural development, economic diversification, job creation and poverty reduction. Are the measures proposed by the CSA capable of tackling these challenges and contributing to inclusive and sustainable development?⁵²

First and foremost, it is important that we learn from past experience. Replicating past concepts, such as the structural adjustment programmes implemented by the IMF and the World Bank in the 1990s or the G20's Compact with Africa (CwA) initiative, can neither advance transformation on the continent nor help eradicate asymmetries.⁵³ The CwA advocated a big push agenda (i. e. a combination of powerful investment incentives combined with massive investment of capital in all sectors of the economy) and structural adjustment and stabilisation.⁵⁴ The CwA aimed to generate higher levels of FDI through large-scale investment in infrastructure and the improvement of the economic environment for businesses with a view to fostering economic growth. However, it quickly became clear that only a small number of investment projects were being implemented under the CwA and very few jobs were being created. All foreign direct investment is capital intensive and the majority of large-scale investments barely have any links to local industry, albeit with certain exceptions such

as the South African automobile industry. By focusing on large-scale projects, the CwA tends to promote jobless growth more than anything else. In many countries, debt levels have risen, in part due to the high volume of infrastructure investment. It would therefore be a mistake for the EU Commission to rely on the concept underlying the CwA agenda.

Europe needs to find the courage to adopt a substantially new Africa policy, one which also takes a reflective, self-critical approach to the evaluation of cooperation since the Cotonou Agreement in 2000. Such a shift must take into account that a) African countries are undergoing fundamental transformation and b) African countries and their institutions are pursuing their own agendas. To bring about a strategic alliance between Europe and Africa, Europe must analyse the dynamics on the African continent and global power shifts and ultimately acknowledge that c) the age of postcolonial cooperation is over.

In other words, it is not just about financial flows, as provided for by the EIP. Nor is it merely a matter of restructuring trade, overcoming crises and the pandemic or ensuring good governance and good institutions. It is about a fundamental change of course, to which a new Africa-EU Cooperation Pact must contribute. This would help facilitate joint implementation of multilateral decisions,⁵⁵ on the one hand, while helping to balance the respective interests, on the other. It is about a change in direction, an end to de-

⁵² For a critique of the European proposals, see: Abebe, Tsion Tadesse/Maalim, Hafsa (2020): Refocusing the Africa-EU Strategy, in: Institute for Security Studies (ISS): ISS Today (27.7.2020); available at: <https://issafrica.org/iss-today/refocusing-the-africa-eu-strategy>. The aforementioned authors identify the »overlooked African priorities«: 1. Eradication of poverty: »Poverty is a leading concern«; 2. Health: »Health is discussed as a subsidiary to other elements rather than a standalone sector«; 3. Transport infrastructure; 4. Digitalisation: »Although digital transformation is one of the proposed EU priorities, internet access is not adequately addressed.«; 5. Debt: »Debt relief as an immediate response to the short-term impact of the pandemic will be a litmus test for the partnership.«

⁵³ Cf. Kappel/Reisen (2019), op. cit.

⁵⁴ The CwA is coordinated by the International Monetary Fund, the World Bank and the International Finance Corporation.

⁵⁵ Cf. Maihack, Henrik/Öhm, Manfred (2020): Time for a Post-Coronavirus Social Contract! Berlin, 2020: Friedrich-Ebert-Stiftung; available at: <https://www.fes.de/referat-afrika/neugigkeiten-referat-afrika/zeit-fuer-einen-post-corona-sozialvertrag>.

pendency and asymmetrical relations.⁵⁶ Europe is being called upon to acknowledge the huge transformation that Africa is undergoing and to firmly press reset on co-operation with the continent. Only if it manages to do this will Europe be able to continue playing an important role in Africa.

Europe's strategy should be to endeavour to implement clear measures to reduce dominance and asymmetries and validate this in the forthcoming negotiations. If the EU successfully achieves this, it would be setting European engagement apart from the geostrategic actions of the USA, as well as China, Russia and other emerging countries. Contrary to all public communications and exaggerated media reports portraying Europe as a fading star in Africa, the EU is still the most important external actor on the African continent. Despite the fact that the European geopolitical agenda is often characterised by inadequate peacekeeping efforts, frequently poorly developed ad hoc measures and inadequate diplomatic efforts from individual governments and the EU as a whole (such as in the Sahel,⁵⁷ Libya and South Africa but also in terms of migration), the EU and its Member States are in a better starting position – but they also bear more responsibility. And this is where the EU differs from the USA, which plays a more marginal role in Africa, or China with its suspected hegemonial intentions, both of which have a much smaller presence on the African continent and far less developed networks. The EU and the individual Member States have both hard power and economic power but also employ soft power (»the European model«), which is something the other actors (India, Russia, Turkey or the Gulf states) do not even come close to achiev-

ing.⁵⁸ That said, the EU has to realise that by using out-of-date strategies and failing to tackle the fundamental challenges here, it is in fact undermining its own position.

Irrespective of its power strategy, the EU's approach to its agendas does not inspire confidence, a fact that may also be attributed to its lack of understanding of the dynamics at play on the African continent, the absence of debate on potential forms of cooperation and its failure to use its own hard, soft and smart power strategies effectively. Urgent adjustments are needed here. The CSA negotiations with the African Union and African states as well as the negotiations for a successor agreement between the ACP countries and the EU (post-Cotonou) could provide an opportunity to agree on a form of strategic cooperation that improves the options open to the African side, while at the same time protecting the EU's interests. This is a truly formidable task, one that the CSA does not provide sufficient scope to tackle effectively.

Discussions regarding future cooperation must therefore focus on the following fundamental issues: 1. Combatting the current pandemic crisis, 2. Promoting agriculture, 3. Transformation policy, 4. Investment policy, 5. Trade policy and 6. Measures relating to debt relief. Rather than leaving the burning issues aside, the EU should be tackling them head on.

COMBATTING THE PANDEMIC

In March 2020, the High Representative of the EU for Foreign Affairs and Security Policy, Josep Borrell, announced that the EU would be supporting its partners around the world in fighting the virus, particularly those in Africa.⁵⁹ This assurance was translated into real action when the EU initiated its »Team Europe« package to support partner countries in the fight against the coronavirus pandemic.⁶⁰ The EU and its Member States have taken a variety of initiatives to help Africa tackle the outbreak of Covid-19. These include immediate short-term measures such as the procurement of tests and laboratory equipment, followed by longer term pandemic prevention through the development of the laboratory infrastructure, the provision of funding for training measures, information campaigns and national pandemic response plans. The EU's support is crucial and could also help to strengthen Africa's public health sector in the long

56 A great many African authors and experts have called for a fundamental change of course, including Vera Songwe, Carlos Lopes and Celestin Monga. Cf. Okonjo-Iweala, Ngozi/Coulibaly, Brahim Sangafowa/Thiam, Tidjane/Kaberuka, Donald/Songwe, Vera/Masiyiwa, Strive/Mushikiwabo, Louise/Manuel, Manual (2020): COVID-19 and Debt Standstill for Africa: The G-20's Action is an Important First Step that Must Be Complemented, Scaled Up, and Broadened, in: The Brookings Institution: Africa in Focus (18.4.2020); available at: <https://www.brookings.edu/blog/africa-in-focus/2020/04/18/covid-19-and-debt-standstill-for-africa-the-g-20s-action-is-an-important-first-step-that-must-be-complemented-scaled-up-and-broadened/>; Cf. Lopes, Carlos (2019): Free Trade Area Can Break Old Europe Dependency, in: The Nordic Africa Institute (21.5.2019); available at: <https://nai.uu.se/news-and-events/news/2019-05-21-carlos-lobes-free-trade-area-can-break-old-europe-dependency.html>; Monga, Célestin (2020): Economic Policies to Combat COVID-19 in Africa, in: Project Syndicate (28.3.2020); available at: <https://www.project-syndicate.org/commentary/africa-four-ways-to-reduce-covid19-economic-impact-by-celestin-monga-2020-03>. Oqubay, Arkebe (2020): Africa's Economic Transformation and the Future of EU-Africa Cooperation, in: CESIFO Forum 21, 2: pp. 3–10; available at: www.cesifo.org/DocDL/CESifo-forum-2020-2-july.pdf. Inge Kaul writes about the need for a reset, cf. Kaul, Inge (2020): Want to Take the Africa-EU Partnership to the Next Level? Press the Reset Button, in: CESIFO Forum 21, 2: pp. 16–21; available at: www.cesifo.org/DocDL/CESifo-forum-2020-2-july.pdf. Köhler, Horst (2020): Crisis and Credibility – Towards New Honesty in EU-Africa Relations. In: CESifo Forum 21, 2: pp. (online), pp. 11–15; <https://www.cesifo.org/DocDL/CESifo-Forum-2020-2-july.pdf>.

57 Cf. Tull, Denis M. (2020): German and International Crisis Management in the Sahel: why Discussions about Sahel Policy are Going Around in Circles, Berlin: Stiftung Wissenschaft und Politik – SWP. SWP Comment 27/2020. <https://doi.org/10.18449/2020C27>.

58 On hard, soft and smart power, see: Joseph S. Nye (2011): The Future of Power. New York: Public Affairs.

59 European Commission (2020): EU Paves the Way for a Stronger, More Ambitious Partnership with Africa, in: European Commission, press release (9.3.2020); available at: https://ec.europa.eu/commission/presscorner/detail/en/IP_20_373. See the interview with Josep Borrell in Die Zeit, no. 17/2020 (15.4.2020); available at: https://www.zeit.de/2020/17/josep-borrell-europaeische-union-china-europa-konkurrenz?utm_referrer=https%3A%2F%2Fwww.google.de%2F.

60 Cf. Brugner, Philipp/Schuch, Klaus (2020): The EU's Global Response to the COVID-19 Crisis with a Focus on the Eastern Neighbourhood and Africa, in: Österreichische Gesellschaft für Europapolitik (ÖGfE), Vienna: ÖGfE Policy Brief 13; available at: <https://www.oegfe.at/policy-briefs/the-eus-global-response-to-the-covid-19-crisis-with-a-focus-on-the-eastern-neighbourhood-and-africa/>.

term. A whole raft of African initiatives, however, likewise demonstrate how much African countries are taking the reins themselves when it comes to combatting the crisis.⁶¹ Cooperative institutions and initiatives have emerged on the continent, bearing witness to a uniquely African approach to multilateralism, such as the collaboration between the Africa Centres for Disease Control and Prevention (Africa CDC) which seeks to close the gap in public health systems. At the start of 2020, Africa had as few as six laboratories capable of testing for coronavirus. Now virtually every single African country has a certain level of testing capacity.⁶²

NEW AGRICULTURAL POLICY

A common agricultural policy that serves the interests of both sides and involves the key African and European players must be developed in cooperation with the African countries. One area of focus should comprise measures to ensure or improve food security.⁶³

Thanks to its extremely high productivity and billions in subsidies, the European agricultural sector is superior to African agriculture in every respect. It is repeatedly argued that European subsidies exacerbate poverty and food insecurity by facilitating cheap exports. The EU's Common Agricultural Policy operates via what is known as the »export and import hinge«: »If the EU, the world's biggest exporter of agricultural products, were to increase its exports, world market prices would fall. They may well also fall in developing countries, undermining their competitiveness and displacing local products«⁶⁴. European agriculture receives 45 billion euros a year from the European Agricultural Guarantee Fund (EAGF). These funds primarily benefit farmers and food companies. In 2016, the average subsidies received by farmers amounted for almost 300 euros per hectare, meaning that a farmer with 30 hectares of land would be awarded a direct payment of around 10,000 euros each year. An additional 14 billion euros comes from the European agricultural fund

for rural development (EAFRD). This money is earmarked predominantly for environmental protection, climate change mitigation and animal welfare as well as rural development. These substantial direct payments have played an important part in the EU becoming the world's largest exporter of foodstuffs. African farmers are at a significant competitive disadvantage in every respect due to the protectionist measures of the EU (and also of the USA and China).

Opinions may differ on just how much these payments have affected developing countries. The crux of the matter is, however, that these subsidies put African farmers and fishermen at a disadvantage and create unfair conditions. Moreover, high trade and transport costs along with the EU's non-tariff trade barriers (as well as those imposed by the OECD countries and China) limit Africa's agricultural exports. African governments' lack of support for rural areas most certainly plays a significant role here. These conditions reinforce the longstanding high dependence that Africa has had on food imports.

The CSA addresses these economic aspects which are so central for the African continent in very vague terms only. The issue of agricultural policy urgently needs to be on the table during the forthcoming negotiations with Africa, with a view to shaping a reliable regime that serves to promote African agriculture. Since the EU is very unlikely to fundamentally change its agricultural subsidy policy, new solutions must be sought that help increase the scope for developing a modern agricultural sector in Africa. This would help African countries to reduce heavily subsidised food imports from Europe, while increasing the export opportunities for African producers by improving the competitive environment. The volatile nature of agricultural supply chains (flowers, fruit, vegetables, wine) shows how crucial it is to change course and focus on strengthening African agriculture, in other words towards exploiting the endogenous potential for securing supply and satisfying urban demand for agricultural products.

SUPPORTING TRANSFORMATION PROCESSES

What is also needed is a proactive policy for economic and social transformation. The creation of more productive jobs for Africa's rapidly growing population is of pivotal importance. Investment in urban agglomerations can be an important driver of structural change. In the cities, in particular, work in the informal sector constitutes the all-important basis of survival for the majority of the population. The pandemic has meant that millions of people working in the informal economy face having their livelihoods destroyed, which is something that has hit the poorest members of the population hardest.⁶⁵ For many years,

61 Cf. Moore, Jina (2020): What African Nations are Teaching the West about Fighting the Coronavirus, in: *The New Yorker* (15.5.2020); available at: <https://www.newyorker.com/news/news-desk/what-african-nations-are-teaching-the-west-about-fighting-the-coronavirus>.

62 Cf. Signé, Landry/Treacy, Mary (2020): Covid-19 is Accelerating Multilateralism in Africa, in: *The Washington Post* (27.7.2020); available at: <https://www.washingtonpost.com/politics/2020/07/27/covid-19-is-accelerating-multilateralism-africa/>.

63 Cf. Rudloff, Bettina (2019): Wie kann die EU Afrikas Agrarhandel stärken?, in: *Welthungerhilfe: Welternährung* 12/2019; available at: <https://www.welthungerhilfe.de/welternahrung/rubriken/entwicklungspolitik-agenda-2030/eu-handel-und-ernaehrungssicherheit-in-afrika/>. Cf. Bisson, Loïc/Hambleton, Thea (2020): COVID-19 Impact on West African Value Chains, in: Clingendael Netherlands Institute of International Relations: CRU Policy Brief; available at: <https://www.clingendael.org/publication/covid-19-west-africa-impact-value-chains>. Cf. Rauch, Theo/Beckmann, Gabriele/Neubert, Susanne/Rettberg, Simone (2016): Rural Transformation in Sub-Saharan Africa. Seminar für Ländliche Entwicklung, SLE Discussion Paper, Berlin; available at: <https://doi.org/10.18452/18002>.

64 Rudloff, Bettina/Brüntrup, Michael (2018): Allen Behauptungen zum Trotz: Die Gemeinsame Agrarpolitik hat kaum Entwicklungswirkungen, in: *SWP aktuell* 27: Berlin: p. 1; available at: <https://www.swp-berlin.org/publikation/die-gemeinsame-agrarpolitik-hat-kaum-entwicklungswirkungen/> (last accessed on 15.7.2020).

65 Cf. Addison, Tony/Sen, Kunal/Tarp, Finn (2020): COVID-19: Macroeconomic Dimensions in the Developing World, in: United Nations University World Institute for Development Economics Research (UNU-WIDER): WIDER Working Paper 43; <https://www.wider.unu.edu/publication/covid-19-macroeconomic-dimensions-developing-world>.

the growth process on the African continent has led to the emergence of a growing middle class, although this class is itself volatile and could slip back into poverty.

In urban centres and in sectors that are integrated in global and regional value chains (automobile production, food production, horticulture, textiles, information and communications technology etc.) technology transfers and »spillover effects« can be achieved. In many countries of Africa, industrial concepts are being used to achieve structural change. Policies that enhance the complementarity between infrastructure development, foreign and domestic investment should be promoted by the EU to ensure inclusive growth. In addition, agriculture and SMEs should be at the heart of strategic cooperation, as this is where millions of jobs will be created in the future. In fact, a modernised agricultural sector in Africa is instrumental in driving employment-intensive growth and improving food supply.

LINKING FOREIGN DIRECT INVESTMENT WITH LOCAL BUSINESSES

Foreign direct investment (FDI) can make an important contribution to Africa's economic development, provided it does not merely comprise exploiting raw materials. Investment in agriculture and the manufacturing industry, in particular, but also in the service sector can help create highly skilled jobs and foster technology and knowledge transfer, thus boosting Africa's productivity development. In many of Africa's less productive microenterprises, this form of investment is virtually impossible. Instead, for these enterprises to grow, government support initiatives are needed, for instance in the form of vocational training, better access to loans and a reliable supply of electricity.

In many of the countries on the African continent, however, this support has been non-existent.⁶⁶ Large-scale and medium-sized enterprises⁶⁷ may be developing, but growth is sluggish, meaning they are not really in a position to drive Africa's economic transformation forward on their own. FDI can help achieve specialisation and generate economies of scale. A number of foreign enterprises are already working in close collaboration with local businesses, creating industrial zones, engaging in long-term projects and contributing capital, knowledge and technology. Fundamental change, however, must take place in Africa itself. In fact, the contribution that foreign direct investment has made to reducing poverty or youth unemployment has proven to be limited. Total foreign investment in

the period 2014 to 2018, for example, led to the creation of as few as 140,000 new jobs per year on average, primarily in Egypt, Ethiopia, Morocco, South Africa, Nigeria, Algeria and Tunisia (in this order).⁶⁸ Virtually the only way to create jobs for 20 million people per annum is through local businesses and farmers. And it is down to local governments to support and foster rather than hamper their local economy.

The CSA underlines the importance of small and medium-sized enterprises but does not indicate how these can be helped to grow. Likewise, there is no concrete concept for how to link FDI with local companies in industrial clusters and specialised economic zones. Like the CwA, the CSA focuses on the business environment and on funding. How linkages can be created however, remains unclear.⁶⁹ One possibility would be to grant tax relief for FDI that specifically subcontracts to African SMEs with a view to transferring technology, securing decent working conditions and carrying out training measures. A programme that involves research institutions and universities for example, could boost knowledge transfer and the development of start-up businesses and African small and medium-sized enterprises, strengthening local businesses who can then give new impetus for industrialisation, develop local and regional value chains in agriculture and industry and create jobs. European support measures therefore have to be directed at those SMEs that have the capacity to create jobs for the ever growing population. Countless authors have ascertained these correlations for some years now.⁷⁰

⁶⁸ Cf. Ernst & Young (2019), op. cit.

⁶⁹ Cf. Kappel/Reisen (2019), op. cit.

⁷⁰ Cf. Ishengoma, Esther K./Kappel, Robert (2007): Linkages as Determinants of industrial Dynamics and Poverty Alleviation in Developing Countries, in: Dalia Dey (ed.): Informal Sector in a Globalized Era. Hyderabad: ICFAI University Press: pp. 89-199. Cf. Brach, Juliane/Kappel, Robert (2009): Global Value Chains, Technology Transfer and Local Firm Upgrading in Non-OECD Countries. GIGA Working Paper 110. Hamburg: German Institute for Global and Area Studies (GIGA); available at: <https://www.giga-hamburg.de/de/publikationen/11571665-global-value-chains-technology-transfer-local-firm-upgrading-oecd-countries/>. Cf. Kappel, Robert/Pfeiffer, Birte/Reisen, Helmut (2017): Compact with Africa. Fostering Private Long-term Investment in Africa. DIE Discussion Paper 13/2017. Bonn: Deutsches Institut für Entwicklungspolitik (DIE); available at: <https://www.die-gdi.de/discussion-paper/article/compact-with-africa-fostering-private-long-term-investment-in-africa/>. Cf. Farole, Thomas/Winkler, Deborah (2014): Does FDI Work for Africa? Assessing Local Spillovers in a World of Global Value Chains, in: Economic Premise 135. Washington, D. C.: World Bank; available at: <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/745531468009602573/does-fdi-work-for-africa-assessing-local-spillovers-in-a-world-of-global-value-chains>; Cf. Altenburg, Tilman/Lütkenhorst, Wilfried (2015): Industrial Policy in Developing Countries. Failing Markets, Weak States. Cheltenham: Edward Elgar Publishing Limited; Cf. Newman, Carol/Rand, John/Talbot, Theodore/Tarp, Finn (2015): Technology Transfers, Foreign Investment and Productivity Spillovers, in: European Economic Review 76, pp. 168-187; Cf. Whitfield, Lindsay/Staritz, Cornelia/Morris, Mike (2020): Global Value Chains, Industrial Policy and Economic Upgrading in Ethiopia's Apparel Sector, in: Development and Change 51 (4): pp. 1-26.; Cf. Kweka, Josaphat/te Velde, Dirk Wilhelm (2020): Industrial Development and Industrial Hubs. Experiences in Kenya, Rwanda, and Tanzania, in: Arkebe Oqubay/Justin Yifu Lin (eds): The Oxford Handbook of Industrial Hubs and Economic Development: pp. 985-1007.

⁶⁶ See, for example, Ishengoma, Esther K./Kappel, Robert (2011): Business Environment and Growth Potential of Micro and Small Manufacturing Enterprises in Uganda, in: African Development Review 23 (3): pp. 352-365. <https://onlinelibrary.wiley.com/doi/abs/10.1111/j.1467-8268.2011.00291.x>.

⁶⁷ Cf. Kappel, Robert (2016): Von informellen Unternehmen zum afrikanischen Mittelstand? Differenzierungen im afrikanischen Unternehmertum, in: Antje Daniel et al. (eds): Afrikanische Gesellschaften im Wandel – Mittelschichten, Mittelklassen oder Milieus? Baden-Baden: Nomos: pp. 87-110; Bass/Kappel/Wohlmuth (2017), op. cit.

In a recent synthesis paper, Godart, Görg and Hanley⁷¹ set down three principles that are crucial in the endogenous growth debate. To overcome structural heterogeneity a fundamental change in approach is needed comprising the following: 1. An improved institutional environment or institutional quality (ease of doing business, protection of intellectual property rights). This could give the growing FDI a boost. An improvement in the institutional environment would involve creating open, transparent and predictable conditions and regulations for enterprises. 2. Active promotion of investment, for instance through an investment promotion agency that supports local businesses, provides information and fosters the establishment of industrial clusters. 3. Development of efficient specialised economic zones that could also channel spillover effects from FDI into the local economy. What is needed is »high-quality« FDI, i.e. foreign investment that helps create decent jobs that add value at the same time.⁷²

In future the focus must be shifted to productive investment, training, knowledge transfer, localisation of development, innovation and thus integrative growth. Endogenous growth through industrialisation and entrepreneurial empowerment, both of which also create jobs, will not only foster growth in Africa but is in Europe's interests, too. Europe could help achieve this goal by supporting the development of a sustainable, endogenous African economy. These measures should be given priority over investment in the raw materials sector and large-scale infrastructure projects.

Economic development over past few decades shines a spotlight on the shortcomings of global integration. The fact that in some sectors, African countries are dependent on global supply chains as well as on just-in-time production is very much a cause for concern.⁷³ While worldwide economic integration is inevitable, it might be wise for both Europe and Africa to ensure that this globalisation involves a stronger regional focus and less dependence on global markets.⁷⁴ This would also make it possible to create

local structures that are more resilient to crisis and absorb the shocks of the volatilities countries are exposed to as a result of world market integration more effectively. This concept is very different to the proposals related to what is being dubbed »slowbalisation«.⁷⁵ In my view, it is vital to capitalise on all the opportunities for knowledge and technology transfer, in particular through managed and controlled integration into the global market.

REDEFINING TRADE RELATIONS

Up till now, trade agreements between the EU and African countries have not been properly regulated. In fact, the EU's trade and cooperation policy has most certainly been partly responsible for the asymmetrical relations and exacerbated the debt crisis, which is now ramping up again. Africa has largely failed to industrialise, with no Africa-wide industry agenda in place to this day. African and European countries debated the Economic Partnership Agreements (EPAs) over many years yet failed to come to an agreement.⁷⁶ To date, the EU has entered into trade agreements with North African countries and five Economic Partnership Agreements⁷⁷ with regional groups of sub-Saharan countries. Critics argue that these agreements might impede the structural transformation of the African continent by undermining intra-regional trade and integration. Lowering tariffs on EU imports to African markets, as set down in the EPAs, is predicted to divert the region's trade away from local suppliers towards European manufacturers. With the EU's EPAs being negotiated with regional blocs as opposed to the African continent as a whole, they have increased the heterogeneity of the liberalisation commitments of African countries, adding to the challenge of rationalising the African continent's trade regimes under AfCFTA. The limited benefits the EPAs are expected to bring explain why many African countries, especially low-income countries, have refused to join them. The long-overdue reform of the trade regime between the European Union and Africa requires the EPAs to be abandoned. Given the EU Commission's for global markets to be opened up even further, African businesses and smallholders are at an even greater risk of being marginalised by European imports. To be able to grow and develop competitive industries and agricultural economies, African countries are demanding external protection that will help them compensate for unfavourable locational conditions.

Cooperation between the EU and the AfCFTA thus plays a key role here. UNECA estimates that by eliminating both import duties and non-tariff trade barriers, the AfCFTA has the potential to give a real boost to internal African trade within a decade. The AfCFTA, which was ratified by 54 of

71 Cf. Godart, Olivier/Görg, Holger/Hanley, Aoife (2020): Harnessing the Benefits of FDI in African Countries, in: CESifo Forum 21 (2): pp. 32-37; available at: <https://www.cesifo.org/de/publikationen/2020/aufsatz-zeitschrift/harnessing-benefits-fdi-african-countries>.

72 Cf. Godart/Görg/Hanley (2020), op. cit.; Cf. Whitfield, Lindsay/Staritz, Cornelia (2020): Industrial Hubs and Technology Transfer in Africa's Apparel Export Sector, in: Arkebe Oqubay/Justin Yifu Lin (eds): The Oxford Handbook of Industrial Hubs and Economic Development: pp. 931-949.

73 Incidentally, this also applies to new investment activities in the textile industry in Ethiopia or the automotive industry in Rwanda or Ghana (Volkswagen). Highly dependent on imports from South Africa or Europe, the USA or China, the export production facilities built here neither supply local markets nor integrate local industry through sub-contracts or technology/knowledge transfers. Cf. Kappe/Reisen (2019), op. cit.; Godart/Görg/Hanley (2020), op. cit.; Whitfield/Staritz (2020), op.cit.

74 Laporte, Geert (2020): Europe-Africa Relations after Corona. Brussels: ECDPM/ETTG; available at: <https://ettg.eu/2020/04/06/europe-africa-relations-after-corona/> (last accessed on 22.9.2020); Cf. Hornidge, Anna-Katharina/Michiels, Carl/Pantuliano, Sara/Tocci, Nathalie/Treyer, Sébastien/Laporte, Geert/Mazzara, Vera (2020): Towards a New Africa-Europe Partnership after the Corona Crisis, in: European Think Tanks Group (27.4.2020); available at: <https://www.euractiv.com/section/botswana/opinion/towards-a-new-africa-europe-partnership-after-the-corona-crisis/>.

75 Cf. Laporte (2020), op. cit.

76 Cf. Blog Weltneuvermessung (15.7.2019): Afrikas Kontinentale Freihandelszone – Chancen und Herausforderungen; available at: <https://weltneuvermessung.wordpress.com/2019/07/15/afrikas-kontinentale-freihandelszone-chancen-und-herausforderungen-2/> Articles by Helmut Asche, Andreas Freytag and Evita Schmiege.

77 Cf. Rudloff (2019), op. cit.

the 55 countries in Africa, seeks to ensure »free access to commodities, goods and services across the continent«. The AfCFTA is working towards removing duties on more than 90 per cent of goods, harmonising trade regulations establishing »trade corridors« to speed up the free flow of goods and develop the requisite infrastructure to facilitate cross-border trade.⁷⁸

The AfCFTA measures support the development of local production and the procurement of more intermediate and finished products between African countries by reinvigorating intracontinental trade and regional value chains.⁷⁹ This could give these countries easier access to food and medical supplies from their neighbours, shorten supply chains and make them less vulnerable to external shocks and less dependent on imports from abroad.

In light of the creation of the AfCFTA, it makes sense for the free trade zone to be the starting point for negotiations with Europe. As part of the »Everything But Arms« initiative, the EU may have facilitated access to European markets for African exporters but, countless restrictions on the part of the EU remain in place. The EU would certainly have the scope to improve conditions for African manufacturers and exporters.

Non-tariff trade barriers limit Africa's export options. A UN study lists how often products being exported from Africa's poorest countries encounter non-tariff trade barriers. Non-tariff trade barriers may well have lessened the positive impact of low duties on African countries' exports to the EU. In fact, the EU's rules of origin are widely criticised for being overly complex and restrictive, especially the rules on minimum local content requirements and »cumulation«. In other words, to be eligible for lower tariffs, an export from a developing country must have a minimum local content of 30 per cent. In addition, exporters cannot easily cumulate inputs from other countries. There is evidence that these restrictions have limited African exporters' use of tariff preferences and may also have undermined regional value chain creation.

Should the CSA also include trade measures and if so, to what extent? Given the developments outlined above, it makes sense to focus our attention on the following aspects:

- Joint action on the part of the EU and the African Union is needed to devise solutions that enable African manufacturers to comply with EU standards and regu-

lations and meet the requirements of the enterprises along the value chains at the same time.

- The EU should continue to liberalise its remaining tariffs on imports from Africa and reform the rules of origin in order to increase the impact of these preferences. The European Commission should work towards providing tariff-free access to EU markets for all African countries, irrespective of the geographical location or income level.
- Reform is needed to bring the EU's rules of origin in line with the WTO Ministerial Declaration of the Least-Developed Countries. This would involve lowering the minimum local content from 30 to 25 per cent and providing for extended cumulation. As a minimum, the EU should allow African exporters to cumulate inputs from other countries in the region.
- The agreement between the EU and African countries – or the AU – should centre its activities on the reduction of non-tariff trade barriers and actively support the development of the AfCFTA at the same time. After all, a bigger internal African market not only fosters prosperity on the African continent but also serves European economic interests. Through compensatory measures such as the regional cohesion fund, the EU and individual countries in Europe could also help cushion the impact of the welfare losses that African countries suffer in the integration processes.
- The effectiveness and impact of the EU Aid-for-Trade initiative (AfT) in Africa must be improved.⁸⁰ The EU provides substantial funding to help stimulate trade in Africa. There is evidence that AfT can enhance trade performance – how effectively, however, varies considerably from location to location, sector to sector and depending on the type of intervention. The overall effectiveness of this EU scheme is questionable. UNECA and the African Union have defined three priorities for AfT in Africa: (1) to sharpen the focus of AfT, in particular by increasing the funding available for regional programmes with specific integration goals as well as to the poorest countries in Africa; (2) ensure coherence and ownership by aligning AfT programmes with Africa's policy framework, including the AfCFTA; and (3) increasing the overall effectiveness and impact of the AfT through improved monitoring and reporting.

SUPPORTING DIGITAL TRANSFORMATION

Another important goal for African countries is the implementation of digital transformation in Africa. In the CSA, the EU makes a strong plea for the development of a digital single market in Africa in order to boost growth across all sectors of the economy. One of the most important prerequisites for participation in the digital transformation, however, is a reliable energy supply, something which is not guaranteed for 60 per cent of the African population.

⁷⁸ Cf. Schmiege, Evita (2020): Die Afrikanische Freihandelszone. Perspektiven für Afrika und die europäische Politik, in: Stiftung Wissenschaft und Politik, Berlin: SWP-Aktuell 12; available at: <https://www.swp-berlin.org/10.18449/2020A12/> (18.7.2020); See also Berger, Axel/Brandt, Clara/Stender, Frederik/Brown, Ed/Apiko, Philomena/Woolfrey, Sean (2020): Advancing EU-Africa Cooperation in Light of the African Continental Free Trade Area. Bonn, Maastricht: Deutsches Institut für Entwicklungspolitik (ECDPM); available at: <https://www.die-gdi.de/externe-publikationen/article/advancing-eu-africa-cooperation-in-light-of-the-african-continental-free-trade-area/> (22.9.2020).

⁷⁹ Cf. Signé/Teacy (27.7.2020), op. cit.

⁸⁰ Cf. Timmis/Mitchell (16.10.2019), op. cit.

SUPPORTING DEBT REDUCTION⁸¹

Many African countries are at high risk of debt distress.⁸² Even before the Covid-19 pandemic, Africa's growing national debt was the subject of much debate. Numerous experts have proposed a debt moratorium to give Africa leeway to overcome the pandemic crisis.⁸³ Whether this moratorium would ultimately become a waiver of debt, however, remains unclear. With the IMF classifying 16 of the 36 lowest income countries in sub-Saharan Africa as being »in debt distress« or having a »high risk of debt distress« even before the Covid-19 outbreak, it is very likely that some countries will have difficulties servicing their debts in the near future. The decision by the G20, the IMF and the Paris Club to offer a temporary suspension of debt as part of the Debt Service Suspension Initiative (DSSI) caused quite the stir; at just 0.6 per cent of GDP, the impact for Africa, however, was modest to say the least.⁸⁴ This is due to the fact that in the past 20 years African countries have increasingly taken on loans at commercial conditions from multilateral creditors (e.g. the World Bank, the African Development Bank), from China as well as on capital markets and with private creditors. In fact, African Eurobond debt increased ten-fold over a period of ten years to 58 billion US dollars (see Figure 21). Neither the Eurobonds nor the commercial loans are covered by the DSSI. The World Bank is not involved in the DSSI either, claiming that, in light of their net resource transfer to African countries, it would make no sense to suspend their debt repayments, and that a moratorium might adversely impact broader poverty reduction efforts. Chinese President Xi Jinping, on the other hand, confirmed that China would be participating in the DSSI, stating that the Chinese government was willing to cancel the sub-Saharan countries' interest-free debt that was due for payment in 2020.

⁸¹ Cf. Kaiser, Jürgen: Verschuldungskrise und Coronakrise. Die sehr reale Gefahr der gegenseitigen Verstärkung, in: *Erlassjahr Blog* (18.3.2020); available at: <https://erlassjahr.de/blog/verschuldungs-krise-und-coronakrise-die-sehr-reale-gefahr-der-gegenseitigen-verstaerkung/>. On Africa's debt structure, see: World Bank (2020): *International Debt Statistics. Sub-Saharan Africa (excluding high income)*; available at: <https://datatopics.worldbank.org/debt/ids/region/SSA>; (last accessed on 26.9.2020).

⁸² Cf. Okonjo-Iweala, Ngozi, et al. (2020), op. cit.; for an overview of the countless contributions on Africa's debt crisis, see: Procopio, Maddalena (ed.): *The International Politics around Africa's Debt* (24.7.2020), in: Italian Institute for International Political Studies (ISPI); available at: <https://www.ispionline.it/en/publicazione/international-politics-around-africas-debt-27020>.

⁸³ See, for example: Bolton, Patrick/Buchheit, Lee/Gourinchas, Pierre-Olivier/Gulati, Mitu/Hsieh, Chang-Tai/Panizza, Ugo/Weder di Mauro, Beatrice (2020): *Necessity is the Mother of Invention: How to Implement a Comprehensive Debt Standstill for COVID-19 in Low- and Middle-Income Countries* (21.4.2020), in: VOX, CEPR Policy Portal (online); available at: <https://voxeu.org/article/debt-standstill-covid-19-low-and-middle-income-countries>.

⁸⁴ Cf. Pellegrini, Giulia (2020): *The Evolving Nature of Africa's Debt and its Sustainability*, in: Italian Institute for International Political Studies (ISPI) (24.7.2020); available at: <https://www.ispionline.it/en/publicazione/evolving-nature-africas-debt-and-its-sustainability-27016>.

According to Brautigam, Huang and Acker (2020) this amounts to as little as five per cent of the total debt that sub-Saharan countries have with China.⁸⁵

The complex structure of Africa's total debts will undoubtedly make any attempt to reduce the debt burden of African countries all the more difficult. For all its positive effects, the debt crisis resolution by the G20, the IMF and the Paris Club is not enough to reduce Africa's debt service by any meaningful degree. Debate over innovative solutions that address Africa's debt crisis and persistent financing gap is thus all the more important.⁸⁶

Misheck Mutize⁸⁷ summarises the arguments against a moratorium on debt as follows: 1. It is assumed that those countries that apply for debt service suspension have borrowed irresponsibly. In future, these countries may be seen as high-risk and irresponsible borrowers, 2. The countries would be in breach of the conditions in the Eurobond contracts they currently hold. The Eurobond prospectuses and contractual conditions do not permit countries to suspend debt payments as part of multilateral initiatives, 3. Many governments fear that a moratorium on all debt service would impact credit rating negatively. A lower credit rating would cancel out any benefits of the debt service suspension because the countries would have to pay more interest on the same amount of debt, reducing their ability to finance budget deficits in the medium term with loans on global capital markets, 4. There are fears that the conditions for multilateral debt relief and loan schemes will limit the political scope in future. A moratorium on debt service is granted on the provision that the funds are spent on essential public services only.

In light of this, what action should the international community and the EU now take? First of all, the aim should be to ensure that any moratorium on debt service is only for those countries which are already facing a severe debt crisis. Secondly, those countries that are in a position to manage without debt service suspension, are asked to do precisely so as not to lose investor confidence in future. Thirdly, the moratorium should also include debt with private creditors, who should waive part of their debt payments, too. Fourthly, there are to be no bilateral debt rescheduling negotiations. China, the biggest lender, should be involved in multilateral debt talks.

⁸⁵ For details, see: Brautigam/Huang/Acker (2020), op. cit

⁸⁶ On this, see: proposals by Sangafowa Coulibaly, Brahim/Okonjo-Iweala, Ngozi/Songwe, Vera/Thiam, Tidjane/Kaberuka, Donald/Manuel, Trevor/Benkhalfa, Abderrahmane/Masiyiwa, Strive (2020): *The Unfinished Agenda of Financing Africa's COVID-19 Response*, in: Project Syndicate (7.9.2020); available at: <https://www.project-syndicate.org/commentary/africa-covid-19-response-funding-gap-by-brahima-coulibaly-et-al-2020-09?barrier=accesspaylog> response/.

⁸⁷ Cf. Mutize, Misheck (2020): *Why African Countries are Reluctant to Take up Covid-19 Debt Relief*, in: *The Conversation* (28.7.2020); available at: <https://theconversation.com/why-african-countries-are-reluctant-to-take-up-covid-19-debt-relief-140643>.

OTHER MEASURES

There are a number of other important measures that we should not lose sight of:

- Transforming national economies to make them more climate compatible: The economic crisis can also be seen as an opportunity to take the leap towards a low-carbon, climate-resilient future both in Europe and in Africa. Economic recovery programmes are needed that are guided by equitable and environmentally sustainable plans.⁸⁸ The EU intends to support Africa's climate change mitigation efforts through suitable adaptation measures, while closely monitoring social impacts. What these measures will entail exactly remains unclear. The European Green Deal runs the risk of bringing about a new form of protectionism. African countries will have to adapt to comply with European standards and regulations. Plans to introduce a carbon tax may adversely affect African exporters' access to the European market, essentially creating new obstacles in the form of non-tariff trade barriers.⁸⁹ The climate action proposals made by the EU therefore require further deliberation.
- Solutions are needed to help curb illegal trade: For the EU and Africa, the current crisis may well be a wake-up call – a call for the EU to actively join African countries in the fight against illicit financial flows.⁹⁰ In the past two decades, Africa has lost 1.3 trillion US dollars to illicit flows abroad. While Africa works on stemming these illicit financial flows, the world community must increase its efforts to repatriate financial transfers. It is time for the EU to nail its colours to the mast and take action.
- Combatting tax evasion by multinationals, which the UN Economic Commission for Africa puts at as much as 100 billion US dollars per year.

⁸⁸ Cf. Hornidge et al. (27.4.2020), op. cit.

⁸⁹ »Africa is not opposed to green and climate-friendly economic reforms, but it is worried that the ambitious European Green Deal will create a new type of protectionism by imposing new non-tariff barriers, such as the carbon border tax that may affect access to the European markets.« Geert Laporte (2020): The AU-EU Summit Didn't Prove Immune to COVID-19 – but that May be a Blessing in Disguise. Brussels: ETPP (15.9.2020); available at: <https://ecdpm.org/talking-points/au-eu-summit-not-immune-covid-19-blessing-disguise/>.

⁹⁰ Signé, Landry/Sow, Mariama/Madden, Payce (2020): Illicit Financial Flows in Africa: Drivers, Destinations, and Policy Options, in: Africa Growth Initiative at Brookings: Policy Brief (2.3.2020); available at: <https://www.brookings.edu/research/illicit-financial-flows-in-africa-drivers-destinations-and-policy-options/>. Cf. Ostheimer, Andrea Ellen (2015): Illicit Financial Flows als Entwicklungshindernis, in: KAS Auslandsinformationen 9; available at: <https://www.kas.de/web/auslandsinformationen/artikel/detail/-/content/illicit-financial-flows-als-entwicklungshindernis> (last accessed on 20.5.2020).

Résumé: Paving the Way for a New Africa-Europe Partnership

The EU will need to learn to anticipate where the great transformation in Africa is heading. In some key areas, the CSA is not up to dealing with the challenges ahead. The concept behind the CSA is a continuation of what we are already familiar with, which is why it is ill-suited to pave the way for a new form of cooperation between Europe and Africa, having little impact on the old asymmetries. This will ultimately cause some countries in Africa to turn their back on Europe even more.

The EU and European governments should use their prominent position to press reset on relations with Africa. There is a particular need for steering in various policy areas. Africa's transformation is progressing quickly, with new growth potential for local businesses emerging in the urban centres. It is time for European investors to say goodbye to a model based purely on exports and cheap labour and instead focus on integrating the local businesses, transferring technology and knowledge, and creating jobs, in doing so aiding the growth of the middle classes and African small and medium-sized enterprises. Fostering these trends would also be beneficial to European investors. After all, the expansion of the markets resulting from increased prosperity is very much in Europe's interests. If this were also to help integrate agriculture and rural areas – where the majority of Africans and the poor live – European actors would be making an important and much needed contribution to endogenous growth. Active support for the development of the AfCFTA can also play a role in achieving this goal. Especially in the development of links between foreign investment and local enterprises (be it in the agricultural, industrial or service sector) there is a wealth of untapped potential that the EU can and indeed should unlock in the negotiations for a new strategy.

Africa's postcolonial days are over, with African countries increasingly distancing themselves from the donor-recipient model. They have established the AfCFTA and are forging stronger intraregional partnerships once again, enabling them to follow their very own path of development and growth. They have industrialised and developed agricultural strategies. They are far less dependent on foreign resources and external economic activities on the part of the US, the EU or China than some of the press and statements by the aid industry would have us believe. Africa's develop-

ment is endogenous. This is the conclusion drawn by the key works on growth economics from the past few decades.⁹¹

Globalisation has given the African continent opportunities to play a role in the international division of labour. Concepts based on pure world market integration, however, have not been as successful as hoped. As to the »dissociation« strategies such as those pursued in Tanzania, Ethiopia or Ghana during the 1960s and 1970s, these have failed entirely. The result was widespread poverty and unemployment. The Covid-19 pandemic has only exacerbated the poverty, hunger, climate risks and inequality. The climate catastrophe is hitting Africa especially hard, despite the fact that the main contributors are the USA, EU and China whose economic model does not focus on sustainability.

What is essential here is measures that will be instrumental in reducing asymmetry, setting the course for the current transformation process and shifting the focus to four key areas: local added value through value chains; a focus on employment-intensive investment in agriculture, industry and the service sector and corresponding investment incentive systems; promotion of AfCFTA; and climate change mitigation measures.

This analysis shows that the CSA is not making significant headway in the direction of a new era of African-EU relations. The plan has to be reviewed and overhauled by the EU and the AU – not only against the background of the effects of the Covid-19 pandemic but also, and indeed more importantly, with a view to reducing the asymmetrical dependence and power relations. The question of how climate agendas can be linked coherently to economic and social concepts is one that must be addressed urgently.

⁹¹ See, for example: Rodrik, Dani (1999): *Making Openness Work: The New Global Economy and the Developing Countries*. Washington, D. C.: Overseas Development Council; Cf. Krugman, Paul (1996): *Development, Geography, and Economic Theory*. Cambridge, Mass.: MIT press; Cf. Elsenhans, Hartmut (1991): *Development and Underdevelopment. The History, Economics, and Politics of North-South Relations*. New York: Sage Publications; Cf. Senghaas, Dieter (1982): *Von Europa lernen. Entwicklungsgeschichtliche Betrachtungen*. Frankfurt/Main: Edition Suhrkamp; Cf. Hirschman, Albert O. (1958): *The Strategy of Economic Development*. New Haven: Yale University Press.

The coronavirus crisis is a unique incentive for Africa and Europe to break with outdated concepts and the power relations of the past. A prosperous African continent is in the interests of the EU. Any future cooperation must therefore be based on fairness, equality, solidarity, climate-compatibility and civility. The EU's interest in cooperating with Africa should not wane during the Covid-19 crisis. On the contrary, Europe should be tapping into the potential to forge collaborative partnerships.

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REDEFINING EUROPE-AFRICA RELATIONS



The European Union's relations with the African continent are facing a distinct set of challenges. Contrary to expectations, the pending negotiations between the partners are now being put to the test like never before. The global spread of Covid-19 has led to economic crises throughout the world – and the African continent is no exception. This new economic crisis also impacts Europe's relations with Africa. There is a significant risk that Africa-Europe relations will not attract as much interest as other global developments, with the USA, Europe and China too busy dealing with their own challenges.



The EU will need to learn to anticipate where the great transformation in Africa is heading. In some key areas, the EU-Africa strategy »Towards a Comprehensive Strategy with Africa« (CSA) is not up to dealing with the challenges ahead. The concept behind the CSA is a continuation of what we are already familiar with, which is why it is ill-suited to pave the way for a new form of cooperation between Europe and Africa, having little impact on the old asymmetries. This will ultimately cause some countries in Africa to turn their back on Europe even more. The EU and European governments should use their prominent position to press reset on relations with Africa. None of the measures taken to date, e.g. the External Investment Plan, have succeeded in creating a more balanced partnership between Europe and Africa.



The Covid-19 pandemic induced economic crisis has shown that the prevailing asymmetry in the relations between Europe and Africa is no longer acceptable as we move into the future. Now is the time for both sides to work together on finalising the much-needed reform packages. To pave the way for these reforms, the EU Commission's plans for negotiations on future cooperation must be overhauled, particularly in relation to trade and economic relations, value chain integration, and the focus on job creation and poverty alleviation. Last but not least, cooperation on the issue of sustainability must be adjusted, especially against the backdrop of the climate catastrophe, which, besides hindering growth and causing job losses, poses a threat to agriculture and food supply on the African continent.

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