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EU-African Economic Relations: Continuing Dominance, Traded for Aid?

Dirk Kohnert ¹

Abstract

Promising growth rates, increased trade, and competition among major global players for African resources have boosted the development and bargaining power of sub-Saharan Africa (SSA) in relation to the EU. However, Africa's least developed countries remain vulnerable to external shocks. Academic analysis is still too heavily influenced by scholastic controversies. Neither the controversy over "big-push" concepts nor the blaming of African culture as an impediment to growth or good government do justice to the real issues at stake. Even beyond the aftermath of (neo)colonialism, and notwithstanding continuing deficits in good government in many African countries, the EU bears responsibility for the fragile state of many African economies. The self-interested trade policies of the EU and other world powers contribute to poverty and unsatisfactory development in SSA. This threatens to perpetuate asymmetrical power relations in the new Economic Partnership Agreements (EPAs), to the detriment of regional integration and pro-poor growth. However, mounting competition between China and other global players for Africa's resources is resulting in windfall profits for Africa. The latter is leading to a revival of seesaw politics, already known from the times of the Cold War, on the part of African states. This could be profitable for Africa's power elite, but not necessarily for Africa's poor.

Keywords: economic integration, trade policy, aid, international migration, regional integration, EU, Africa, China

JEL Codes: F13, F15, F22, F24, F42, F59, N47, P45, R11

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1 EU-Africa Economic Relations – Burning Problems and Pertinent Questions

Soaring oil and other raw commodity prices as well as growing competition among global players to secure access to vital African resources has brought about promising prospects for growth and prosperity in sub-Saharan Africa (cf. Berg/Drummond 2008; OECD 2008; UN 2007; IMF 2007). On average, Africa's economy grew by about 6.5 percent in 2007, well above the long-term trend for the fifth consecutive year and part of the longest growth phase for 35 years. All in all, Africa is now better positioned to withstand a deterioration of the global economic environment than in the 1990s and 1980s (cf. IMF 2008). Major African players such as Nigeria, Ghana, and Kenya, but also less important countries such as Tanzania or Togo, have used the newly gained leeway to improve economic governance and debt reduction (cf. OECD 2008). Even small landlocked countries, such as Rwanda or Niger, have profited from increased independence in international relations and increased bargaining power provided by the quest of Asian superpowers for African resources and emerging markets.

However, growth rates show marked differences between oil-exporting countries and oil importers: 7.4 percent and 4. percent, respectively. In total, real per capita income has remained about the same as in the mid-1970s. Therefore, only a minority of African least developed countries (LDCs) are likely to achieve the "Millennium Development Goals" (MDGs), that is, to halve poverty by 2015 (cf. IMF 2008: 20). International organizations and development experts have cautioned that the volatility of commodity prices could continue to make Africa vulnerable to external shocks. Additionally, they have warned that progress

towards the fulfillment of the MDGs has been by far too slow for Africa's poor, who constitute half of the extremely poor worldwide.²

European politicians and some of their scholarly advisers have promoted a "big push" comparable to the Marshall Plan; conditionality of aid to encourage "good governance"; and, last but not least, external military guarantees as a decisive means to combat poverty (cf. Collier 2006; Sachs 2005). Other renowned economists have contested the revival of "big-push" concepts and their potential to overcome the "poverty traps." According to their view, such concepts overlook unsolvable information as well as management and incentive problems, and are not supported by robust empirical data. Easterly and others instead favor piecemeal engineering (cf. Easterly 2006).

These controversies reflect decades of contentious academic debate between antagonistic schools of thought in economics, but they provide little new insight and do not necessarily address the real issues at stake. The same applies to a common view among development experts, who are quick in pointing to traditional African sociocultural barriers to development—such as the corruption trap, the fractionalized-society trap (cf. Collier 2006), or the large degree of ethnic division combined with a propensity for rent seeking (Easterly/Levine 1997)—as impediments to economic growth and good government. Again, such essentialist positions and similar cultural premordialism (cf. Meagher 2006) miss the point, as will be shown in more detail in the following sections. The aid syndrome, or, as James Scott (1998) has called it, the hubris of the "high modernist" ideology of technocrats, politicians, and researchers alike, incorporates the well-known inherent dangers of ethnocentricity and top-down approaches. This is especially true for the import of foreign cultural innovations. In addition, it diverts attention from exploring and promoting indigenous innovations and, even worse, may undermine their very base, the informal structure from which they are being generated.

In this respect we should always bear in mind that culture, even within one distinct entity, is neither static nor a homogeneous block but is rather characterized by an amazing range of different historical traits. Deviant voices, if not suppressed by dominant ideologies or powers, more often than not come from the inside rather than the outside (cf. Sen 2002: 8). It is more likely that sustainable development in Africa will be initiated when new policies are drafted on the basis of "common sense," the practical knowledge and aspirations of the person-on-the-spot (cf. Scott 1998: 309-41). Unfortunately, this possibility is often ignored or considered to be exotic, irrelevant, or irrational by policy makers and by the proponents of

² The problem is not only one of absolute poverty, as assumed in models of conventional economics or expressed in (doubtful) figures of poverty indicators of per capita income of less than US\$1 per day, as commonly assumed. Poverty is basically a social concept, related to history. What counts at least as much are relations of inequality. Bigsten/Shimeles (2007) show for example that in some African countries, notably those with high income inequality, such as the former "settler economies" of Namibia, South Africa and Zimbabwe, even small changes in income distribution (if enforceable politically without civic conflict) could have a significantly larger poverty-reducing impact than growth.

formal ahistoric epistemological knowledge (cf. Rao/Walton 2002: 5; Scott 1998). The cultural heritage of African countries, for example, frequently labeled “traditional culture” or “traditional institutions,” is habitually regarded in a simplistic and deterministic manner as a customary barrier to economic growth, and hence summarily dismissed as an “informal constraint” (North 1990: 37). This dualistic concept of culture (modern vs. traditional) ignores the reality of a universe of different coexisting and frequently competing cultures within societies, as well as the development potential of indigenous cultural innovations. Not only is this view based on analytic oversimplification, it is also ethically and politically irresponsible (cf. Sen 2002: 2, 9-11).

The identification and moral appraisal of alleged cultural impediments to African growth has disregarded the historic responsibilities of European governments themselves. After the independence of their former colonies, European states—driven by geo-strategic reasons and Cold War politics—fostered corrupt and autocratic regimes in Africa over decades with dire disregard for the principles of “good governance.” The aftermath of these regimes is still to be felt today. Even now, EU member states have not stopped contributing to Africa’s economic misery. The damaging effects of incoherent European external trade policy, based on asymmetrical power relations inherited from colonial rule, are just one example, which will be explored in more detail below. To sum it up, the legacy of European colonial and neocolonial actions and structures constitutes a major underlying factor in Africa’s continuing misery and in increasing African migration to Europe (cf. Kohnert 2007).

Ironically, many Western European politicians and their scholarly advisers have applied double standards, which have poisoned EU-African relations (cf. Wade 2008; IMF 2007a; Oxfam 2006; Kohnert 2007)³. On the other hand, Western donors have complained about the negative impact of China’s and India’s mounting economic and political influence on sub-Saharan Africa. This has allegedly counteracted the Western donors’ development-orientated foreign and development policy through neomercantilist trade strategies, thereby displacing African local production and fostering other Dutch disease effects (cf. Zafar 2007; Umbach 2007: 1; Broadman 2007). Yet Chinese foreign trade policy has only honored the established international norms of noninterference in internal politics. And with respect to aid

³ An outstanding example was the inaugural address of the French head of state, Nicolas Sarkozy, in July 2007 in Dakar (“discours de Dakar”), written by his special advisor Henri Guaino, economist, ENA scholar, and ghost writer under Jacques Chirac. Although Sarkozy announced a fundamental break with France’s policy of special relations to the detriment of the African poor, moulded by generations of the “Messieurs Afrique,” his speech generated a storm of protest in French public and scholarly circles and in Africa because of its patronizing and Eurocentric, if not racist, attitude. Later on the realpolitik of the Qui d’Orsay revealed a continuing reliance on the very political networks which had been condemned before (cf. Bernard, P.: L’image très dégradée de la France en Afrique, in: *Le Monde*, 27 April 2008). Concerning double talk and lack of commitment vis-à-vis Africa, the EU is no way unique. The same applies to other global players such as the US government and the Bretton Woods institutions. In 2007, the evaluation office of the IMF published a scathing critique of IMF’s aid policy in Africa, accusing the IMF of serious discrepancies between aims, public talk, and its operational policies and practices, most notably with respect to poverty reduction, growth, and cooperation with local donor groups and the civil society (cf. IMF 2007a).

and development cooperation, Peking and Delhi have promoted Smithsonian ethics, cherished over centuries by European governments as well, that is, the growth of the wealth of (their own) nations. Certainly, the accompanying negative side effects of this policy inflicted by the promotion of governing African elites to the detriment of the poor—such as growing inequality and a lack of democracy and good government—have been of little interest to Peking. However, whether major Western powers really care more about these “collateral damages” of aid and trade, particularly when their own vital interests are concerned, has remained open to question.

Therefore, African politicians, international NGOs, and critical scholars alike accuse the EU and European governments of double talk, limited generosity with respect to aid and external trade policies, and broken promises concerning the millennium goals and G8 commitments vis-à-vis Africa (cf. Kebonang 2007; Hurth 2003; Melber 2006; Oxfam 2006). They question fashionable calls to “save Africa,” which they allege persistently reflect underlying Eurocentric attitudes of cultural superiority as well as hidden vested interests. As one of the elder African statesmen, the Senegalese president Abdoulaye Wade, recently put it: Africa is not ill, though many Africans are, because of AIDS, poverty, bad governance, and unfair international trade regimes.⁴ It does not need to be healed nor saved. What Africans want is true equitable partnership.⁵

Even if Africa’s economies improve, the question is to what extent the majority of the population will profit from this development, and whether the rest of the world will not advance even more rapidly. Would this perpetuate the exclusion of Africa from the benefits of globalization? Will the lack of a real commitment from major European donors, as demonstrated again in July 2008 at the G8 summit in Japan, to assist Africa in its quest for sustainable development contribute to this exclusion? Can African economies, confronted with the vested interests of global players and marred by deep-seated structural economic deficiencies, reasonably expect a takeoff to self-sustained growth without massive foreign direct investment or a “big push” by the international donor community? Will the Economic Partnership Agreements (EPAs) currently negotiated between the EU and regional clusters of the African, Caribbean, and Pacific (ACP) group⁶ promote sustainable pro-poor growth in Africa? To what extent will the mounting competition between the Asian tigers and the West for African resources affect EU-African economic relations? These are questions I will attempt to answer in the following sections.

⁴ For detailed analyses of these trade regimes, reflecting the asymmetrical power relations between the EU and Africa, cf. (Borrmann et al. 2007; 2006; Goodison 2007; Gibb 2000; Oxfam 2006).

⁵ The overbearing “mission civilisatrice” of European powers has been castigated by many Africans of all denominations and European and African media; cf. Faujas, Alain (2007): *Les fausses promesses du G8 à l’Afrique*, in: *Le Monde*, 26 June 2007: 2; cf. also the distinguished Nigerian Harvard scholar and novelist Uzodinma Iweala, (2007): *Cessez de vouloir ‘sauver’ l’Afrique*, in: *Le Monde*, 30 July 2007: 13; translated from: *Stop trying to ‘save’ Africa*, in: *Washington Post*, 15 July 2007; p. B07.

⁶ The 48 African members form by far the largest and most powerful group within the ACP, which comprises at present 78 states, mostly former European colonies.

2 The EU's New Africa Strategy

The new Africa strategy of the EU, adopted in December 2005, has as its primary objective the achievement of the UN Millennium Development Goals (MDGs), among others, through the doubling of aid to Africa by 2015 (cf. EU 2007; Grimm 2006). It reflects the spirit of the Cairo Plan of Action, endorsed at the first summit between Africa and the European Union, held in Cairo in April 2000. The new Africa strategy constitutes a common vision for the three previously separate regional treaties: the ACP-EC Partnership Agreement (Cotonou Agreement of 1998, cf. below); the Mediterranean cooperation program (MEDA); and the trade, development and cooperation agreement with South Africa. Alongside economic growth and regional integration, it emphasizes peace, security, and good governance as prerequisites for sustainable development in Africa. This strategy was reconfirmed by the second EU-Africa Summit in Lisbon on 8-9 December, 2007, which focused on energy; climate change; migration, mobility, and employment; democratic governance; and a joint EU-Africa political and institutional architecture.

The strategy is based on assumed comparative advantages of the EU vis-à-vis Africa, relative to other international competitors, in view of the age-old economic, political, and cultural links between the partners. Therefore, the EU offers itself as Africa's "natural partner" (cf. EUC 2006: 11). This is the first time that the EU has approved such a comprehensive Africa strategy as a guideline, not only for its own programs but also for the bilateral Africa policies of its 27 member states. It explicitly wanted to replace the former one-sided policy, which accepted African governments at most as junior partners, with a strategic partnership of equals where the African Union (AU), its institutions, and its subregions are on equal footing with the EU (cf. EU 2007: 3-6; Grimm 2007; EUC 2006: 21-32).

The development of the strategy was certainly driven by good intentions. However, the European Union Committee of the House of Lords, London, in its foreword to the first review of the strategy in 2006, had already identified broken promises, lack of commitment, basic tensions and implementation shortcomings within the EU Commission as well as between member states, uncertainty about funding, insufficient specification of policies for different regions of Africa, etc. (cf. EUC 2006: 6).

The Cotonou Agreement of 2000, based on successive ACP-EC treaties (Lomé conventions I to IV), is still a cornerstone of EU-Africa relations. It remains formally valid until 2020. However, its institutions⁷ and principles, that is, joint political dialogue on trade, peace building, conflict prevention and resolution, etc., have increasingly collided with different orientations provided by the more dynamic, newer Africa initiatives described below (cf. Grimm 2006). In fact, the Cotonou Agreement faces the risk of being made increasingly redundant, most notably by the current negotiations on the new EPAs.

⁷ Cotonou installed three joint institutions for EU-ACP cooperation: First, the Council of Ministers; second, the Committee of Ambassadors, designed to assist the Council of Ministers; third, the Joint Parliamentary Assembly, which acts in an advisory capacity.

The same applies to the "Everything But Arms" (EBA) initiative, launched by the EU in 2001, which was hailed as the most symbolic European trade initiative towards Africa since the first Lomé Convention in 1975. Although it formally granted African LDCs liberalized access to European markets, it was so badly flawed in its conception that it quickly became doubtful whether it could ever achieve its declared aims (for details cf. Farber/Orbie 2007; Wusheng Yu/Jensen 2005). Notably, its rules of origin (RoO), basically introduced to prevent dumping through African re-exports of products from non-African states, are too complicated and restrictive to have a tangible impact on growth in Africa. Past experience has shown already that nontariff barriers, notably RoO and quality standards, constitute effective barriers for shielding the interests of European producers from undue competition. Often the losses experienced by African entrepreneurs as a result of using eligible inputs (for example, inputs of lower quality and/or at higher prices) have exceeded the benefits provided by the EU preferences. Furthermore, tariff escalation on key value chains, which has punished processed goods (for example, instant coffee or chocolate) with higher taxes than those on raw materials (such as coffee or cocoa beans), have also prevented African producers from processing their own products (cf. Oxfam 2006: 4). Additional problems in proving the origin due to weak customs controls and costly documentation requirements have effectively prevented African exporters from taking advantage of preferential access. Besides, a great deal of the assumed gains which have been associated with three "sensitive" products (bananas, sugar, rice) have been subject to gradual liberalization (Wusheng Yu/Jensen 2005; Hinkle/Newfarmer 2005). Furthermore, the small gains which might result from the EBA initiative are expected to fade away as a consequence of the EU negotiations on EPAs (cf. below) and the compliance by all parties concerned with WTO obligations, thereby resulting in what will actually be a worse situation for Africa. Therefore, African states have insisted that RoO should be reviewed during the EPA negotiations in 2008 (cf. Stevens et al. 2008: 86).

Along with the AU and its suborganizations or institutions, the EU also has regional partners in Africa. The most important institutional partner is the New Partnership for Africa's Development (NEPAD, adopted in July 2001), including its key element, the African Peer Review Mechanism (APRM). Both were created to guarantee the member countries ownership over their development programs. The new institutions have displayed a commitment to self-government and agency on the part of African states. The EU as well as the scholarly community consider their formation to be an important step in the right direction. Yet, NEPAD has continued to reflect connotations of Western conditionality (for example, the "carrot and stick" policy of the EU), because of the strong influence of the international donor community on its conception. In addition, the self-assessment structures of the APRM are quite biased in certain countries, such as Rwanda, and in general it has lacked stringency and independence. (cf. Melber 2006a; Kanbur 2004; Abrahamsen 2004).

Parallel with its institutional partners, the EU cooperates with five Regional Economic Communities (RECs) in sub-Saharan Africa⁸ and with the Arab Maghreb Union. Regional integration and monetary coordination has been high on the agenda of different regional organizations in Africa for decades. It has often been described as the panacea for Africa's economic misery and is also promoted through EU development cooperation (cf. Lee 2004). Yet, presently there are only two functioning regional economic and monetary zones: the Communauté Financière Africaine (or CFA-Franc Zone) and the Common Monetary Area (CMA, or the former Rand Zone).

Although more efficient than the rest of Africa, even in these zones the monetary arrangements are of questionable viability. Three decisive elements have impacted the zones' performance. All three have had little to do with the endogenous economic requirements of member states and very much with external politics and informal economics: (1) the colonial heritage and "Northern" countries' interest in maintaining their dominance as well as political stability in the region; (2) hierarchical structures of dependency maintained by the major economic and political powers of these zones, France and South Africa; and (3) rent-seeking elitist informal transnational social networks, such as the *Messieurs Afrique*. The major structural deficiencies within and between the member states of each zone could therefore not be solved by monetary coordination alone. They require sustainable political and economic solutions, adapted to the specific needs of each member and aiming to foster ownership of the measures and instruments by each country and/or subzone concerned (cf. Kohnert 2005).

In general, African regional cooperation and integration is still hampered by considerable interregional discrepancies in capacity, resources, and the degree of political organization. The degree of regional integration is rather low. Just 11 percent of international African trade occurs within its own subregions. Existing regional trade arrangements in sub-Saharan Africa suffer from high external trade barriers, small market size, poor transport facilities, and limited resource complementarity between member states (cf. Yang/Gupta 2007). These structural divergences have been intensified by the recent developments on the world oil markets. Because of the strong and growing structural discrepancies between RECs, the EU has insisted on separate negotiations with each subregions on the future EPAs. However, its

⁸ Out of 14 RECs in Africa, the African Union (AU) recognizes only eight: Arab Maghreb Union (UMA), Community of Sahel-Saharan States (CEN-SAD), Common Market for Eastern and Southern Africa (COMESA), East African Community (EAC), Economic Community of West African States (ECOWAS), Economic Community of Central African States (ECCAS), Inter-Governmental Authority on Development (IGAD), and Southern African Development Community (SADC). The proliferation of institutions in recent decades has meant that of the 53 member states of the AU, 26 belong to two of the fourteen RECs, 20 belong to three, and one country belongs to four (cf. ECA 2006: vii-viii). Among the eight AU-recognized RECs, the EU concentrates on the five major ones: (1) Economic Community of West African States (ECOWAS; including the West African Economic and Monetary Union (WAEMU, in French UEMOA) of francophone West Africa); (2) The Southern African Development Community (SADC); (3) Economic and Monetary Community of Francophone Central Africa (EMCCA/CEMAC); (4) The East African Community (EAC); (5) Common Market for Eastern and Southern Africa (COMESA).

African partners have preferred joint consultations and suspect the EU of using “divide-and-rule” tactics.

3 EU Proposals for EPAs: Aid for Trade or New Barriers for Poverty Reduction?

More than thirty years after the signing of the first Lomé Convention (1975), the ACP still exports primarily raw materials to Europe and provides a ready market for European finished goods. Conventional procedures have not promoted diversification, competitiveness, growth, or poverty reduction in any sustainable manner. Although regional integration has belonged for decades to the declared aims of both the EU's and the ACP's own development strategies, it has been applied with little success, particularly concerning the eight existing regional communities in Africa.⁹ Inter-African trade and investment has remained low, mostly because of a lack of both political consensus and the will to divest of national prerogatives and other nontariff barriers (cf. ECA 2006; Kohnert 2005, 2005a). New solutions are urgently required. All the more so as WTO rules on nondiscrimination demanded the transformation of unilateral tariff preferences, hitherto granted to the ACP states, into regional trade agreements by the end of 2007.¹⁰ Therefore, the negotiations for a new trade regime between the EU and African states within the framework of the EPAs have been running out of time. Brussels has repeatedly threatened to increase trade barriers against African imports in accord with WTO rules if the nonreciprocal trade preferences of the Cotonou Agreement expire.¹¹

However, the majority of African states see no convincing alternative in the proposed EPAs. Two controversial points of discussion have been the impact on regional integration and on poverty alleviation. First, the EU's strategy of creating clusters of separate free trade areas linking Europe with four regional groupings has threatened to damage solidarity among African countries and to impede regional integration instead of promoting it. African countries may even be encouraged to reinforce regional trade barriers in response to unfavorable trade regimes enforced by the EU, not least because of a potentially severe loss of customs

⁹ The African Union recognizes eight regional economic communities in Africa: Arab Maghreb Union (UMA), Community of Sahel-Saharan States (CEN-SAD), Common Market for Eastern and Southern Africa (COMESA), East African Community (EAC), Economic Community of West African States (ECOWAS), Economic Community of Central African States (ECCAS), Inter-Governmental Authority on Development (IGAD), and Southern African Development Community (SADC) (cf. ECA 2006).

¹⁰ Cf. EU (2007): Economic Partnership Agreements: Questions and Answers – Brussels, 24 May, http://trade.ec.europa.eu/doclib/docs/2007/may/tradoc_134746.pdf, accessed on 21 August 2007.

¹¹ When West African negotiators asked for an extension in the negotiations, the EC's response was that failure to sign EPAs on time would lead to higher tariffs and trade income losses: “For the West Africa region, for example, more than €1 billion of trade would potentially be lost, as the average tariff to be paid under GSP is in average 20%. 36% of today exports from Ivory Coast (€700m) would face a tariff of 27% against 0% under Cotonou and EPAs, for Ghana it is 25% of exports (€240m). For Central Africa, about €360 millions of exports would potentially be lost.” EU (2007): Economic Partnership Agreements: Questions and Answers – Brussels, 24 May, http://trade.ec.europa.eu/doclib/docs/2007/may/tradoc_134746.pdf, accessed on 21 August 2007.

revenues, the major government revenue in many African LDCs (cf. Stevens 2006). This will be even more the case if aid—for example the current negotiations on the programming of the 10th European Development Fund (EDF), which run parallel to EPA negotiations—is used as a “stick-and-carrot” tactic to convince African partners to accept unfair trade regimes.¹² Second, the Least Developed Countries (LDCs), which are already disillusioned with respect to the high expectations associated with the EBA initiative as described above, face the risk that the available options for EPAs¹³ will create new barriers not just to regional integration but also to poverty reduction, the declared overall aims of both partners.

Why should the new regional agreements work any better than the existing arrangements? There are increasing anxieties on the part of the African partners about the outcome of the EPA negotiations. During the EU-Africa Summit in Lisbon in December 2007, African statesmen such as Senegalese president Abdoulaye Wade and South Africa's Thabo Mbeki made it clear that they considered the EU proposals for EPAs a dead letter which had to be renegotiated by extending the deadline by one year to the end of 2008. In addition, the AU Commission president Alpha Oumar Konaré insisted on Africa's right to protect its infant industries. He accused the EU of playing the old divide-and-rule game in Africa by luring more advanced economies such as Kenya, Cote d'Ivoire, and Ghana—which have not profited from the EBA system, but which would suffer from especially high EU tariffs on African exports by 2008—into signing stop-gap interim bilateral agreements (IEPAs).¹⁴ Thereby, the 18 African states involved in the latter agreements temporarily allayed the fears of their export industries that they would be locked out of EU markets. However, it remains to be seen whether all EU member states would maintain a real commitment to trade liberalization if a

¹² According to Paul Goodison, the newly programmed 10th EDF could well become the single largest “institutional bribe” in the history of development aid (Goodison 2007: 147-48). The 10th EDF entails €22 billion in grants, and €2 billion in loan financing. In August 2007 negotiations got stuck because of the proposed linkage between EDF and a timely agreement on EPAs, as proposed by EU trade commissioner Mandelson. The EU threatened to reduce the EDF by 50 percent if the EPAs were not concluded in time, or by 25 percent if they did not correspond to the conditions imposed by the EU; this was considered insolent by the ACP and was strongly rejected.

¹³ For details on alternative options for EPAs as well as alternatives to EPAs cf. Stevens 2007; 2006a; Storey 2006; Goodison 2007.

¹⁴ As of 20 December 2007, 18 African countries had signed Interim Economic Partnership Agreements (IEPAs). Therewith, they enjoy the same preferential access to EU markets as the 26 African LDCs which profited already from the EBA preference scheme without reciprocal obligations to the EU. However, it is doubtful that all the signatories of the IEPAs have the capacity and a genuine commitment to implement the agreement. IEPAs focus on goods-only agreements, i.e., they only address access to EU markets, development cooperation, and revised RoO, but they include the obligation to negotiate the remaining points of the EU's EPA – proposals—i.e., the liberalization of services and other trade-related issues, such as investment, government procurement, competition, etc.—in 2008. Together with Kenya, four East African countries—Uganda, Rwanda, Burundi, and Tanzania—signed an interim agreement limited to trade in goods with the EU on 27 Nov. 2007. A week earlier the southern African states of Botswana, Lesotho, Swaziland, and Mozambique had assented to a similar deal, also limited to the trade in goods and not including investment, services, public procurement, or intellectual property; Namibia followed reluctantly on 12 December; others were Ghana and Ivory Coast.

tangible interest of the powerful agricultural lobbies within the EU were endangered by cheap African imports.

Thus, most of the burning questions have remained unsolved and on the table for the next round of EPA negotiations, scheduled for 2008 (cf. Stevens et al. 2008). The EU has a keen interest in revising the IEPAs in order to transform them into full EPAs including commitments for liberalization of services, investment, government procurement, competition, and other trade-related issues.¹⁵ But already, the IEPAs have dealt a potentially fatal blow to the long-standing though largely unsuccessful African efforts towards more effective economic integration (cf. above). The reason is that with the IEPAs, all African regional economic groupings now include members which have developed contradicting interests and trade perspectives—apart from the East African Community, which signed the IEPAs en bloc. Hence, the non-LDCs within the groupings have been obliged to open their domestic markets to EU exports, whereas the LDCs have not. In addition, there exist legitimate concerns on the African side about declining revenues from the taxation of imports, a major source of government revenues in many countries, as a consequence of the restrictions imposed by the IEPAs.

Last but not least, the IEPAs have allowed the EU to apply special trade dispensation or other safeguards more easily than the old Cotonou Agreement. However, there is no equivalent element among the development-orientated aspects of the EPAs that would promote food security for African populations, though this is a sensible question in view of the soaring global food prices, which could lead to a new humanitarian crisis in Africa.¹⁶ The apparent lack of credibility concerning promises of increased EU development aid for African LDCs—that is, the broken promises—could further aggravate the fate of Africa's poor and the menacing humanitarian crisis¹⁷ (cf. Groth 2006; Laryea et al. 2004).

All in all, the neoliberal recipes of the Bretton Woods institutions concerning trade liberalization have done more harm than good as far as sub-Saharan Africa is concerned, mainly for

¹⁵ The EU interest is comprehensible in view of the great share of European GDP and employment related to services (some 70 percent), with Africa becoming an increasingly attractive market for EU entrepreneurs in the service sector too, last but not least because of increasing keen competition with Chinese McKinseys in Africa (for details on the latter cf. the inspiring and informative field report by Blume 2008).

¹⁶ The Food and Agriculture Organization (FAO) reported in April 2008 that 36 countries were currently facing a food crisis, 21 of them in Africa. According to the World Bank, global food prices have risen by 75 percent since 2000, and experts have predicted that prices will continue their relentless rise. Staple foods such as rice, wheat flour, and maize have been particularly affected, and some African governments have been forced to respond with emergency measures in view of "bread riots" in their capitals. Disturbances have been reported since February 2008 in Burkina-Faso, Cameroon (more than 40 dead), Ivory Coast, Mauritius, Mozambique, Senegal, and in Egypt and Tunisia in North Africa. In April 2008 even the EU development commissioner Louis Michel warned that rising global food costs could cause a "real economic and humanitarian tsunami in Africa" and demanded a boost in emergency food aid (BBC News, 8 April 2008).

¹⁷ On 9 April 2008, EU president Barroso condemned EU member states who had promised in 2005 to increase aid by 0.56 percent by 2010 and by 0.7 percent by 2015, respectively. An OECD report revealed in early April that the ODA of major EU countries decreased considerably in 2007, e.g., for France by -15.9 percent, Great Britain by 29.1 percent, and Italy by 3.6 percent; only Germany announced an increase of 5.9 percent (cf. Frankfurter Allgemeine Zeitung (FAZ), 10 April 2008, p. 6).

the following reasons: First, the opening up of markets has had negative effects on economic growth in the long run, mainly because it has not been accompanied by an improvement in institutions and good governance (cf. Busse/Groizard 2007; Borrmann/Busse/Rocha 2007). Second, the continuing reliance on the supposed comparative advantages of the export of agricultural products and other raw materials (apart from oil and diamond) has not resulted in net gains in view of imperfect markets (cf. above); volatile commodity prices; poor infrastructure; and political instability, which increases transaction costs. Furthermore, high revenues from commodity exports have been ambiguous. If used properly, they could enhance development, but if not, they threaten to increase rent seeking, corruption, or the suboptimal allocation of resources ("resource curse," Dutch disease) in African countries with serious governance deficits.¹⁸ Therefore, experts and African politicians alike have developed alternative proposals to EPAs (for details cf. Bilal/Rampa 2007; ODI/ECPM 2008). However, these have little chance of being implemented due to a lack of political backing by the EU and other Western global players.

4 African Migration and Current European Responsibilities for Unsatisfactory Development in Africa

Migration from Africa is a reflection of the continent's socioeconomic dynamics over time. In recent decades the number of migrants from conflict regions in Africa has increased dramatically. Most overseas African emigrants live in Europe.¹⁹ The major reasons for this are the established cultural and socioeconomic links between African Diasporas and the former colonial powers.²⁰ The rate of immigration in highly industrialized Western European countries has accelerated significantly in recent decades. Mostly undocumented Africans constitute a growing proportion of these immigrants. The official figures are probably grossly underestimated, as they do not take into account the majority of those Africans living in the EU without official authorization. According to estimates from the Migration Policy Institute, there are some seven to eight million irregular African immigrants living in the EU, mostly in its southern regions.²¹

¹⁸ On the link between governance and trade policy cf. in addition Goodison 2007; Hugon 2007; Oxfam 2006.

¹⁹ According to the 2005 estimates of the International Organization on Migration (IOM), there are approximately 4.6m. Africans recorded as living in the EU, compared with 890,000 in the USA. But the bulk of African Migrants (about 17 Mio.) remain in sub-Saharan Africa.

²⁰ Approximately two-thirds of Africans in Europe are from Northern Africa (Algeria, Morocco, and Tunisia). A smaller, but steadily increasing number are from sub-Saharan Africa (SSA). The latter overwhelmingly stay in France (274,538) and England (249,720), and, on a smaller scale, in Germany (154,564) and Italy (137,780) (cf. IOM 2005: 26).

²¹ The actual number fluctuates in accordance with the regularization programs of member states, particularly those of France and, more recently, Italy and Spain. However, many of the officially recognized immigrants lapse back into illegality when their limited visas expire or if they fail to meet other conditions necessary for legal status.

Apart from push factors such as violent conflicts, gross human rights violations, population pressure, degradation of natural resources, and poverty, the bulk of current migration is due to external pull factors. Young people in particular, threatened by unemployment and a lack of opportunities in their home country, are eager to try their luck in what may appear to them at first sight as their land of plenty, that is, Western Europe. Many of them struggle to reach it, with utter disregard for the risks involved and by all means, mostly illegal. There are well-founded reasons to believe that this tendency will accelerate as sub-Saharan Africa probably has a higher potential for immigration into the EU than any other region of the world. Some experts even believe that the population movement from Africa could evolve into one of the largest in world history in the medium and long run (cf. Sandell 2005: 1; UN 2006a: 1). Therefore, politicians from all sides concerned are well advised to take this development more seriously than they have in the past. However, experts and politicians alike are deeply divided over the best approaches to both analyzing and solving the problem. Even in scholarly literature, several myths about international migration, remittances, and development still persist which have been already examined in detail elsewhere (cf. Haas, 2005; Kohnert 2007).

The European Union shares responsibility for the continuing migration pressure: First, because it has over decades fostered corrupt and autocratic regimes with dire disregard to principles of "good governance." The aftermath of these regimes is still being felt today and constitutes one of the underlying factors for politically motivated migration. Secondly, the EU has contributed to Africa's economic misery through the damaging effects of Europe's selfish external trade policy, as described above. Nevertheless, the prevailing perspective of the EU and of its member countries concerning African immigration remains focused on security, the foreclosure of its external borders, and prevention. Current EU programs and concepts intended to combat African migration are questionable.²²

Even development-orientated approaches are bound to fail if they are not backed by sustainable immigration policies (cf. Kohnert 2007). Aid and development do not necessarily lead to reduced migration. On the contrary, different studies suggest that at least the kind of economic growth promoted by the highly industrialized Western countries and by the WTO, based on the neoliberal approach of trade liberalization, will stimulate migration from sub-Saharan Africa in the medium and long run.²³ This will apply even more if the donor countries obstruct the sustainable growth of African LDCs through nontariff barriers to trade, unfair subsidies, and dumping prices which undercut the comparative advantages of

²² The enduring desolate economic situation and bleak perspectives of most households in African LDCs are among the major reasons for African migration to Europe. This has been recognized by the member states of the EU too. At the joint EU-AU migration summit in Tripoli (22 to 23 November 2006) they promised to stem the growing flow of migrants with, among other things, a significant increase in development aid to the most affected West and North African countries, specifically targeted at potential migrant populations. In total, the EU promised to allocate some €40 million to boosting job creation in Africa. Cf. BBC News Africa: "EU unveils new immigration plans". 30 November, 2006.

²³ On the underlying theory of the "migration hump" cf. Haas 2006; Martin et al. 1996.

these countries for labor intensive agricultural products on the world market (cf. Haas 2005: 1271-72). Thus, studies published by the World Bank, international NGOs, and others have repeatedly blamed the EU in this respect, proving that the EU's foreign trade policy has contributed significantly to reducing the income-earning possibilities of West African producers through its pursuit of the commercial interests of EU member states, to the detriment of development in sub-Saharan Africa.²⁴

In addition, the EU's selfish foreign trade policy has counteracted its own pro-poor development cooperation with African states, which it has been trying to implement for more than a decade. The most blatant examples are the EU's fisheries and agricultural policies, the negative effects of which have been discussed in more detail elsewhere (cf. Kohnert 2007; Oxfam 2006). Just the elimination of unfair cotton subsidies paid by the USA, China, and the EU to their farmers would increase the income of West African cotton producers by US\$250 million per annum. According to Overseas Development Institute (ODI) estimates, EU cotton subsidies alone account for up to 38 percent of annual income losses of cotton farmers in West and Central Africa; their elimination would increase the cotton export earnings of Benin and the Republic of Chad by US\$9 million and 12 million, respectively (cf. Gillson et al. 2004). In 2002, the EU recognized the necessity of better coherence between its fisheries and development policies concerning the ACP member countries; but to date it has not put corresponding measures into practice. Even high-ranking representatives of EU member states, such as the German minister for economic development cooperation, Heidemarie Wieczorek-Zeul, and the German president, Horst Köhler, criticized the double talk and the lack of coherence between EU trade and development policies during the WTO conference in Cancun (Mexico, 2003) and the Africa Forum summit in Accra (Ghana, January 2007), but again, apparently without great success.

Last but not least, the "ungovernance" of African enterprises (for example, rent seeking, corruption, etc.) is not so much a consequence of assumed African cultural barriers²⁵ to development, but is rather due to the hostile economic, social, and political environment. The latter has been reinforced to a great extent by the Cold War policies of the European countries which were formerly colonial powers (cf. Olsen 1997); by the collaboration of multinational and European enterprises and entrepreneurs in large-scale corruption all over Africa; and last but not least, by the economic restructuring policies of multilateral donors during the 1970s and 1980s (cf. Meagher 2007).

²⁴ Cf. Anderson et al. 2005; Baffes 2005; Borrmann et al. 2007; Hinkle et al. 2005; Oxfam 2006.

²⁵ For a critique of the doubtful oversimplifications, based on culturalistic and essentialist positions, of the role of African culture as an impediment to economic development in recent political science publications, cf. Meagher (2006). For similarly scathing comments on ahistoric and essentialist positions in economics cf. Sen (2002: 10-11).

5 Africa's New Silver Bullet: The Impact of Growing Competition from China on EU-Africa Economic Relations

For some years China's presence in Africa has been a focus of political and academic interest. So far, macroeconomic studies on big projects, investments, and the general phenomenon of Chinese infiltration into Africa have been at the center of political and economic analyses. Depending on the point of view, the Chinese are regarded either as development-promoting entrepreneurs or as new colonists. Over the past six years, China has become one of Africa's most important partners for trade and economic cooperation. Trade (exports and imports) between Africa and China increased from US\$11 billion in 2000 to US\$56 billion in 2006 (cf. UNCTAD 2007). The growth rates of Africa's foreign trade with Asia, notably that with China, have surpassed those for all other regions over the past decade. African exports to Asia increased by 20 percent over the last five years (2000-05). As a share of Africa's total exports, that to Asia rose from 9 percent in 1990 to 27 percent in 2005. At the same time, exports to traditional markets, those of the former European colonial powers, decreased from approximately 48 percent to 32 percent (cf. Broadman H. G. 2007: 66). Africa imported 33 percent of its total imports from Asia in 2005, second only to the EU. From the perspective of Asian countries, Africa is the second-fastest-growing destination for their products after East and Central Europe (ibid.). In the first 10 months of 2007 China's exports to Africa rose again by 36 percent, while imports from Africa surged by 81 percent.

"Trade, not aid", the universal remedy of neoliberalism—which maintains that the integration of LDCs into the world market would be more effective than any development aid, an ideology which first gained popularity in the West in the mid-1950s—could have been the slogan of the growing Chinese presence in Africa too. But even within the realm of development cooperation, China has outperformed the West, at least in the view of African elder statesmen: in 2007 the Chinese Eximbank pledged US\$20 billion in development funds for African infrastructure and trade financing over the next three years, funds that outstripped all Western donor pledges combined according to the Senegalese head of state Abdoulaye Wade (cf. Wade 2008).²⁶

The same is true of China's soaring foreign direct investment (FDI). Singapore, India, and Malaysia are currently the top Asian sources of FDI in Africa, with investment stocks of US\$3.5 billion (cumulative approved flows from 1996 to 2004), US\$2 billion and US\$1.9 billion, respectively; they are followed by China, the Republic of Korea, and Taiwan. China's FDI stock in Africa had reached US\$1.6 billion by 2005, and Chinese companies are present in 48 African countries. But until quite recently, the bulk of China's FDI in Africa focused on only a few African countries: Sudan was the largest recipient (and the ninth-largest recipient of Chinese FDI worldwide), followed by Algeria (18th) and Zambia (19th) (cf. UNCTAD

²⁶ India followed China's path when it announced in April 2008 that it would double its credit lines to projects in Africa from US\$2.15 billion (2003-04 levels) to US\$5.4 billion by 2008-09 (cf. Johnson, Jo: India follows China's path with Africa overture, in: Financial Times, 9 April 2008).

2007). However, other resource-rich countries, such as Nigeria, are now also becoming beneficiaries. In March 2008, Nigeria was offered up to US\$50 billion by Sinosure, China's export credit guarantee agency, to assist in the funding of projects in Nigeria over the next three years. This is the largest overseas commitment by China so far. It is intended to encourage a wide range of Chinese private investment in Nigeria, particularly for the improvement of Nigeria's poor infrastructure, for example, in the railway and power sectors. But essentially, these facilities are meant to serve as an exchange in return for licenses in oil exploration blocks (cf. Financial Times, 2 April 2008). In fact, China is part of a US\$4 billion deal for drilling licenses in Nigeria which also includes grants for economic and technical cooperation in anti-malaria drugs and rice production. In May 2008 the Democratic Republic of Congo unveiled the details of a US\$9.25 billion barter trade agreement with China. This agreement envisages the exchange of millions of tons of copper and cobalt against the construction of roads, railways, and other infrastructure by Chinese state-backed companies.²⁷ In 2006, all over Africa, China executed some 800 projects with a total cost of US\$5.74 billion. By November 2006, China had signed 16 cooperation-agreements, worth a total of US\$1.9 billion, involving 12 Chinese firms and 11 African governments and companies, all in line with President Hu's pledge to provide US\$5 billion in loans and double aid by 2009.

Western donors of development aid to Africa, most notably the EU and some of its member states, were quick to complain about the negative impact of China's and India's mounting economic and political influence in sub-Saharan Africa. China was accused of displacing African local production (cf. Kaplinsky/Morris 2007) as explained above. While China benefited from the debt-relief efforts of Western donors, the latter were concerned about new debt traps for African countries as a result of imprudent Chinese lending, thereby counter-acting the Heavily Indebted Poor Countries (HIPC) Initiative. It is certainly true that the Chinese policy in Africa does not bother much about pro-poor growth, democratization, or unequal social structures. On the contrary, there is growing evidence that it mainly benefits the elite and widens the divide between rich and poor, as did generations of European aid and trade efforts. However, the results of a recent scholarly evaluation revealed that at least the "free-rider" accusations are largely unfounded (cf. Reisen/Ndoye 2008). Nevertheless, some EU member states have been quick to act in retaliation against the assumed threat. The French government recently commissioned a report by the Council on Foreign Affairs on the "organized or voluntary Chinese penetration" of Africa, published in February 2008, which stated that approximately 70 percent of Chinese aid to Africa (US\$10 billion) was tied, allegedly contributing to a trade diversion to the detriment of French African exports.²⁸ Although the authors of the report cautioned against the revival of the infamous French policy of tied

²⁷ Cf. Wallis, William: Congo outlines \$9bn China deal, in: Financial Times, 10 May 2008.

²⁸ One example quoted explicitly in the report was Angola: "En Angola, une ligne de crédit chinoise de 5 milliards \$ devrait ôter toutes les chances de la France pour la construction de l'aéroport et de 3 000 km de voie ferrée" (La Lettre du continent, No. 534, 7 February 2008).

aid, they predicted an augmentation of the relative weight of bilateral aid, the “only real means of influence” on aid and trade relations.

The growing competition of Asian global players with the EU for Africa's resources will probably contribute to a revival of economic nationalism in other EU member states as well. High-ranking officials from the European Commission are already complaining about double talk—not just by France, but also by other EU member states (Spain, Italy, Portugal, or Poland)—concerning the trade with Africa and the protection of their own interest.²⁹ Under these conditions it is presumably only a question of time before other major EU states follow suit and implicitly accept a roll-back strategy comparable to the “realpolitik” of the Cold War era (cf. Olsen 1997). This is especially likely because the mounting competition between European economies and Asian global players has allowed African countries to apply a see-saw policy between the two competing blocks in order to optimize their economic and political returns.³⁰ The recent political statements of senior African statesmen, such as the Senegalese president Abdoulaye Wade, criticizing the double talk of Western donors vis-à-vis China are unequivocal in this respect³¹ (cf. Wade 2008).

However, the official Chinese presence in Africa triggers another attendant phenomenon which has hitherto attracted little attention in politics or in academic research, although it is of equal importance for the economic development of African countries. The immigration of hundreds of thousands of Chinese migrants.³² Who are they, and how and why do they migrate? Where do they settle? How do they organize their economic and social activities? Do they contribute to development in their host countries? How are they perceived by the Chinese and African governments or by the local population? These and other questions have only begun to appear on the international research agenda. However, it is already clear that the Chinese presence and the soaring imports of Chinese products do have adverse effects on the nascent industries in the least developed African countries, although the growing pressure of Chinese competition is certainly felt differently in different economic sectors and countries in Africa. Some countries and entrepreneurs consider it complementary to the growth of commerce and industry in their own country, but other African businessmen/women and workers feel increasingly threatened by unfair competition or exploitation “made in China.” Even official circles in African capitals are waking up to the simple fact that all that glitters is not gold. In Angola, for example, one of China's most important Afri-

²⁹ Cf. Ricard, Philippe: Bruxelles accuse Paris de tenir un double discours sur le commerce avec l'Afrique, in *Le Monde*, 15 December 2007.

³⁰ The Nigerian and Congolese examples of keen competition between established Western multinational oil companies and China quoted above provide a vivid illustration.

³¹ “When it comes to China and Africa, The European Union and the US want to have their cake and eat it ... China, which has fought its own battles to modernise, has a much greater sense of the personal urgency of development in Africa than many Western nations. ... Not just Africa but the West itself has much to learn from China. It is time for the West to practise what it preaches about the value of market incentives” (Wade, 2008).

³² According to the estimates of Xinhua Press, there are at least 750,000 Chinese working or living for extended periods in Africa (cf. Mohan/Kale 2007).

can partners, most of the big development projects, financed and managed by the opaque China International Fund (CIF), have been halted because of gross mismanagement, and Luanda has annulled the contracts.³³

There is a growing cleavage between the official discourse and window dressing of representatives of China and Africa on the one hand, and the increasingly hostile local perception of concerned African petty traders, peasants, or workers—who suffer from the competition of more effective Chinese entrepreneurs in Africa—on the other (cf. Sylvanus 2008; Gebre-Egziabher 2007; Kernén 2007). The implications of this Chinese competition for EU-Africa relations are open to question. At the very least, European humanitarian aid and the pro-poor growth initiatives of the EU might be seen more positively by Africa's poor than by some African statesmen. This, however, is a largely under investigated but promising field for future research.

Other important but open questions concern the impact of the sharp increase in demand for Africa's resources, caused by the Asian drivers, on the medium- and long-term trend of commodity terms of trade, which could again imply significant changes in development strategies, and not only those of the EU (cf. Kaplinsky 2008).

6 Conclusion

Promising growth rates, increased trade, aid, and the competition among major global players for African resources boost development and the bargaining power of sub-Saharan Africa in relation to the EU. Progress towards the Millennium Development Goals has been made, but far too slowly. Due to the legacy of Africa's colonial past, African LDCs remain vulnerable to external shocks. In addition, the EU's selfish foreign trade policy still contributes to poverty and unsatisfactory development. The political and economic domination of African states by the EU and Africa's former colonial powers perpetuates asymmetrical power relations in the new Economic Partnership Agreements (EPAs). Most African governments welcome the mounting Chinese influence as a counterbalance to the imposition of Western conditions on aid and the unfair trade policies of major Western global players. Western donors regard the takeoff of Africa's economic relations with China with growing suspicion. Additionally, there is a growing cleavage between the official discourse of Chinese and African representatives and the perception within the local population concerning the new Chinese silk road to Africa.

The growing and fierce competition between the EU and the Asian tigers for resources and influence in Africa could have mixed results. The worst scenario would be a backslide on the

³³ Among others, the Lobito refinery, a project worth approximately US\$3 billion. The total credit line of the CIF in Angola amounts to US\$7 to 10 billion. In addition, there were well-founded rumors of large-scale corruption, financed by Chinese development credits (cf. Michel, Serge: *En Angola, son premier partenaire africain, la Chine essuie plusieurs revers*, in: *Le Monde*, 24 May 2008, p. 6).

part of Europe into the Cold War attitudes of the past, with all their known negative effects on African governance and growth. At best, it could motivate the EU and its member states to reconsider their hackneyed promises vis-à-vis Africa's poor, and to replace their policy of window dressing and double talk with a genuine sustainable development-orientated partnership with Africa. The latter could trigger a reevaluation by Africans of European initiatives for democratization, development, humanitarian aid, and pro-poor growth. Because, after all, these initiatives may prove superior to China's development assistance as they are conceived on the basis of lessons learned from a rich experience of generations of mostly failed aid. Unfortunately, its implementation was hitherto often marred by overriding vested interests. After all, Mao realized long ago that there is nothing as practical as a good theory.

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