Author's version of: Kohnert, Dirk (2009): EU-Africa economic relations: Continuing dominance, traded for aid? In: Bello, Valeria & Gebrewold, Belachew (eds.): *A Global Security Triangle. European, African and Asian Interaction*. London / New York: Routledge, 2009: 111-136.

EU-African economic relations

Continuing dominance, traded for aid? [1]

by

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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 : European Union, Africa, trade policy, ODA, economic integration, migration, China

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

[1] Revised version of: Kohnert, Dirk (2008): EU-Africa economic relations: Continuing dominance, traded for aid? GIGA Working Paper, No. 82, Hamburg: German Institute for Global and Area Studies, July 2008. Thanks for valuable suggestions go to Rolf Hofmeier, Wolfgang Hein, Martin Beck and Valeria Bello.

1. EU-African economic relations
- burning problems and pertinent questions

Soaring oil and other raw commodity prices, as well as growing competition of global players to secure access to vital African resources, brought promising prospects for growth and prosperity in Sub-Saharan Africa (cf. Berg/Drummond 2008; OECD 2007; UN 2007; IMF 2007b). On average, Africa has grown with about 6.5 per cent in 2007, well above the long-term trend for the fifth consecutive year, the longest growth phase for 35 years. All in all, Africa is better placed to withstand a deterioration of the global economic environment than in the 1990s and 1980s. However, growth rates show marked differences between oil exporting countries and oil importers of 7.4 per cent and 4.7 per cent respectively. Nevertheless, even small landlocked countries profited from the newly gained independence in international relations and increased bargaining power, provided by the quest of Asian superpowers for African resources and emerging markets.

But IMF and Worldbank and expert alike cautioned that the volatility of commodity prices could continue to make Africa vulnerable to external shocks. Besides, they warned that progress towards the fulfilment of the 'Millennium Development Goals' of halving poverty by 2015 was by far too slow for Africa's poor, which constitute half of the extremely poor worldwide[2]. Beyond increased aid and economic growth, to be promoted by neoliberal formal trade and investment policy reforms, notably the opening up of markets, they held conditionality of aid and 'good governance' to be decisive (cf. Collier 2006:204-10). Other researchers showed that in some African countries, notably in those with high-income inequality, like 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 significant larger poverty-reducing impact than growth (Bigsten and Shimeles 2007: 153-156).

[2] The problem is not 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 1 US $ per day, as commonly assumed. Poverty is basically a social concept, related to history. What counts, are relations of inequality, i.e. the gap between the impoverished bottom billion of Africans and the rest of the world, which is accelerating: since the 1980s at a rate of approximately 5 per cent per year (cf. Collier 2007).

However, many EU politicians and their scholarly advisers applied double standards, which poisoned EU-African relations[3]. Whereas they maintained the age-old credo of neo-liberalism at home, which cemented the existing unequal social structures in their own countries, they promoted poverty eradication linked with aid conditionality and good governance in Africa. Secondly, the identification and moral evaluation of alleged impediments to African growth, like the supposed conflict, corruption, ethnic fractionalization, or poor governance-traps (cf. Easterly and Levine 1997; Collier 2006: 190-195) disregarded own historic responsibilities of European governments. EU member states contributed significantly to Africa's economic misery, due to the damaging effects of its self-interested external trade policy which persisted since the advent of colonialism, despite its talk about development assistance. Even after the independence of their former colonies, European states fostered over decades corrupt and autocratic regimes in Africa with disregard to principles of 'good governance', like in Nigeria, Congo, or Togo. Large amounts of aid to countries with bad policy sustained those poor policies (cf. Bierschenk et al 1993; Devarajan et al 2001). The aftermath of these regimes is still to be felt today. It constitutes one of the underlying factors of Africa's continuing misery and of increasing African migration to Europe (cf. Kohnert 2007).

On the other hand, Western donor countries and international aid agencies complaint about the negative impact of China's and India's mounting economic and political influence on Sub-Saharan Africa. It allegedly counteracted the Western donor's development orientated foreign and development policy by neo-mercantilist trade strategies, thereby displacing African local production and fostering other Dutch disease implications (cf. Zafar 2007: 4-5, 12-15; Umbach 2007:1; Broadman 2007). But Chinese aid and foreign trade policy only honoured established international norms of non-interference in internal politics. And with respect to development cooperation, Peking and Delhi rather promoted Smithsonian ethics, cherished over centuries by European governments, i.e. the growth of the wealth of particular nations, be it in Europe, Asia or Africa, notwithstanding the accumulation of wealth by governing elites to the detriment of the poor.

Therefore, African politicians, international NGOs, and critical scholars alike accuse the EU and European governments of double talk, undermined generosity with respect to aid- and external trade policies, and broken promises concerning the millennium goals and G8 com-

[3] Concerning double talk and lack of commitment *vis à vis* Africa, the EU was by no way unique. The same applied to other global players like the US government and Bretton-Wood institutions. Recently the independent evaluation office of the IMF published a scathing critique of IMF's aid policy in Africa (cf. IMF 2007a).

mitments vis à vis Africa (cf. Kebonang 2007; Hurth 2003: 169-170, 174; Melber 2006b; Oxfam 2006). They question fashionable calls for 'saving Africa' which allegedly and persistently reflect underlying Eurocentric attitudes of cultural superiority as well as hidden vested interests. As the Senegalese head of state, Abdoulaye Wade recently put it: Africa is not ill (though many Africans are, because of Aids, poverty, bad governance, and unfair international trade regimes). It does not need to be healed nor saved. What Africans want, is a true equitable partnership (cf. Iweala, (2007).

Even if Africa's economies advance, the question is, in how far 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? This the more, in view of the EU's, continued wanting commitment to assist Africa in its quest for sustainable development? Could African economies, confronted with vested interest of global players, and marred by deep-seated structural economic deficiencies, reasonably expect a take off to self-sustained growth without a 'big push' by the international donor community? Would temporary trade preferences, granted by the EU, combined with the elimination of tariff and non-tariff barriers to African trade on the side of the EU, do a better job than the Economic Partnership Agreements (EPAs), currently negotiated between the EU and regional clusters of the African, Caribbean and Pacific (ACP) group[4] under asymmetric power relations? How could alternative possible scenarios affect the future EU-African economic relationship? These are questions I should like to answer in the following sections.

2. The new EU Africa Strategy

The new Africa Strategy of the EU, adopted in December 2005, had as primary objective the achievement of the UN Millennium Development Goals (MDGs), among others, by doubling aid to Africa by 2015 (cf. EU 2007:4; Grimm 2007:82). It reflected 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 and the second summit in Lisbon in December 2007. The new Africa Strategy creates a common vision for the previously separated three regional treaties: the ACP-EC Partnership Agreement (Cotonou Agreement of 1998, cf. below), the Mediter-

[4] 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.

ranean co-operation program (MEDA), and the trade, development and co-operation agreement with South Africa. Besides economic growth and regional integration, it emphasised peace, security and good governance as prerequisites for sustainable development in Africa. The strategy departed from the base of assumed comparative advantages of the EU concerning its international relations to Africa, relative to other international competitors, and offers itself as Africa's 'natural partner' (cf. EUC 2006: 11). It was the first time that the EU approved such a comprehensive Africa strategy as a guideline, not only for its own programs but also for bilateral Africa policies of its (now) 27 member states. It wanted to replace the former one-sided policy, which accepted African governments at the most as junior partners, by a strategic partnership of equals, with the African Union (AU), its institutions (NEPAD etc) and sub-regions, on equal footing. In addition, the EU Commission aimed at a greater coherence of the policies of the different actors and EU member states involved, notably concerning divergent objectives of development, security, and foreign trade policies (cf. EU 2007:3-6; Grimm 2007:82; EUC 2006:21-32).

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

The same applies to the 'Everything But Arms' (EBA) initiative, launched by the EU in 2001, which was hailed as most symbolic European trade initiative towards Africa since the first Lomé Convention in 1975. Although it granted formally liberalized access of Africa's least developed countries to European markets, it was so badly flawed already in its conception that it became practically useless (for details cf. Collier 2007; Faber and Orbie 2007; Wusheng Yu and Jensen 2005). Notably, its rules of origin were too restrictive to be able to trigger self-sustained growth in Africa. Furthermore, the small gains which might result from EBA were expected to fade away as consequence of the EU negotiations on EPAs (cf. below) and the compliance with World Trade Organisation (WTO) obligations, resulting in an actually worse-off situation for Africa.

Next to the AU and its sub-organisations, there exist different institutional and regional partners of the EU in Africa. The most important 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 the ownership of their development programs. The new institutions displayed the commitment to self-government and agency on the part of African states. The AU, as well as the EU, considered it to be an important step in the right direction. Yet, NEPAD continued to reflect connotations of conditionality (e.g. 'carrot and stick' policy of the EU), because of the strong influence of the international donor community already on its conception. In addition, the self-assessment structures of the APRM were quite biased in certain countries like Rwanda, and in general still lacked stringency and independence (cf. Melber 2006a:51; Kanbur 2004:157; Abrahamsen 2004).

Parallel with the institutional partners, the EU cooperates with five Regional Economic Communities (RECs) in Sub-Saharan Africa[5] and with the Arab Maghreb Union. African regional cooperation and integration are hampered by considerable interregional discrepancies in capacity, resources and the degree of political organisation. The degree of regional integration is rather low. Just 11 per cent of international African trade is within its own sub-regions. Existing regional trade arrangements in Sub-Saharan Africa suffer from high external trade barriers, small market size, poor transport facilities and low resource complementarity between member states (cf. Yang and Gupta 2007:399). The growing structural divergences have been intensified by the recent development of world oil markets. Because of these strong and growing structural discrepancies amongst RECs, the EU insists on separate negotiations with each sub-regions on the future EPAs. However, their African partners would prefer joint consultations and suspect the EU of a 'divide and rule' policy.

The Cotonou Agreement of 2000, based on successive ACP-EC Agreements (Lomé conventions I to IV), remains formally valid until 2020. However, its institutions and principles, i.e. joint political dialogue on trade, peacebuilding, conflict prevention and resolution, etc., increasingly collided with different orientations provided by the more dynamic new Africa initiatives mentioned above (cf. Grimm 2007:82-85). In fact, the Cotonou Agreement risks to be made successively redundant; notably by the current negotiations on the new EPAs (cf. Hurt 2003:173-174).

[5] Economic Community of West African States (ECOWAS; including the West African Economic and Monetary Union (WAEMU, in French UEMOA) of francophone West Africa), The Southern African Development Community (SADC), Economic and Monetary Community of francophone Central Africa (EMCCA/CEMAC), The East African Community (EAC), Common Market for Eastern and Southern Africa (COMESA).

3. EU proposals for EPAs: new barriers to poverty reduction?

More than thirty years after the signing of the first Lomé convention (1975), the ACP still exports basically raw materials to Europe and provides a ready market for European finished goods. Old procedures have not promoted diversification, competitiveness, growth or poverty reduction in any sustainable manner. Although regional integration belonged since decades to the declared aims of both the EU and the ACP's own development strategies, it was applied with little success, notably concerning the eight existing regional communities in Africa[6]. Inter-African trade and investment remained low, mostly because of lack of political consensus and will to divest national prerogatives and other non-tariff barriers (cf. ECA 2006:67). New solutions were urgently required. This all the more, as WTO rules on non-discrimination demanded the transformation of unilateral tariff preferences, hitherto granted to the ACP states, into regional trade agreements.

The new trade regime, negotiated between the EU and African states within the framework of EPAs, is running out of time. Brussels repeatedly threatened to increase trade barriers against African imports in accord with WTO rules, if the non-reciprocal trade preferences of the Cotonou Agreement are running out. In view of asymmetrical power relations the Least Developed Countries (LDCs), which were already disillusioned with respect to the high expectations associated with the EBAs (cf. above), faced the risk that the available options for EPAs (cf. Bilal and Rampa 2006; Stevens 2007:3-4; Storey 2006:338-344) create new barriers to regional integration and poverty reduction, the declared overall aims of both partners. African countries may even be encouraged to reinforce regional trade barriers in response to unfavourable trade regimes enforced by the EU, last but not least because of potentially severe loss of customs revenues, the major government revenue in many African LDCs (cf. Stevens 2006a:2).

The EU's strategy, to create clusters of separate free trade areas linking Europe with four regional groupings of African states, threatens to damage regional solidarity among the concerned African countries. This the more so, if aid, for example, the current negotiations on the programming of the 10th European Development Fund (EDF), which run parallel to EPA

[6] 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).

negotiations, were used as a ‘stick and carrot' tactic to convince African partners to accept unfair trade regimes (Goodison 2007:147-48) [7].

But why should the new regional agreements work any better than the existing arrangements? There are increasing anxieties of the African partners about the outcome of the current negotiations. During the EU-Africa summit in Lisbon in December 2007 African statesmen like the Senegalese President Abdoulaye Wade and South African's Thabo Mbeki made it clear that the EU proposals for EPAs were dead, and had to be re-negotiated by extending the deadline by one year up 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 states like Kenya, Cote d'Ivoire and Ghana, which did not profit from the EBA initiative, but would have suffered from especially high EU tariffs on African exports by 2008, in signing stop-gap interim bilateral agreements (IEPAs)[8]. Thereby the 18 involved African states temporarily allayed fears of their export industries to be locked out of EU markets. However, it remained to be seen whether all EU members states guarded a real commitment to trade liberalisation if tangible interest of powerful agricultural lobbies within the EU would be endangered by cheap African imports. In the past, non-tariff barriers, notably biased rules of origin and quality standards, constituted effective barriers to shield the interest of European producers from undue competition.

Thus, most burning questions remained unsolved on the negotiation table for the next round of EPAs negotiations scheduled for 2008. The EU has a keen interest in revising the IEPAs in order to become full EPAs, including commitments for liberalisation of services, investment, government procurement, competition and other trade-related issues. This interest is

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[7] Apparently, the EU used EPAs-aid linkage as ‘stick and carrot’ tactic to convince African partners of unfair trade regimes The 10th EDF entails 22.0bn. Euro in grants, and 2bn Euros in loan financing. According to Paul Goodison (2007:147-48), the newly programmed 10th EDF could well become the single largest ‘institutional bribe’ in the history of development aid. 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, i.e. the reduction of EDF by 50 per cent, in case the EPAs should not be concluded in time, or of 25 per cent in case they did not correspond to the conditions imposed by the EU; this was considered as insolence and strongly rejected, notably by the Pacific group of ACP.

[8] Until 20 December 2007 18 African countries signed Interim Economic Partnership Agreements (IEPAs). Beside the East African Community, which signed en bloc, all other African regional groupings were fractured by the IEPAs. The signatories enjoyed the same preferential access to EU markets as the 26 African LDCs which profited already from the EPA preference scheme without reciprocal obligations of the EU. However, it was open to doubt whether all the participants of the IEAPs had the capacity and a genuine commitment to implement the agreement. IEPAs focused on goods-only agreements, i. e. they only addressed access to EU markets, development cooperation and revised rules of origin (RoO), but included the obligation to negotiate the remaining points of the E U's EPA-proposals, i. e. the liberalization of services and other trade-related issues, like investment, government procurement, competition etc. in 2008.

comprehensible in view of the great part of European Gross Domestic Product (GDP) and employment related to services (some 70 per cent). But already now the IEPAs dealt a potentially fatal blow to the long-standing, though largely unsuccessful African efforts for more effective economic integration, the panacea for the solution of Africa's economic misery, propagated also by EU development cooperation (cf. Stevens 2006b:445-447; Lee 2004). The reason for this was that with the IEPAs all African regional economic groupings now included members which 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 were obliged to open their domestic markets to EU exports, whereas the LDCs were not. In addition, there existed legitimate concerns on the African side about declining revenues from taxing 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 allowed the EU to apply special trade dispensation or other safeguards more easily than under the old Cotonou agreement, whereas there was no protection to guarantee food security for African populations, though this was a sensible question in view of the implication of soaring global food prices for the African poor, which could lead to a new humanitarian crisis in Africa, notably in view of the global financial crisis and the impact of the threatening worldwide recession on African markets[9]. In fact, the liberalization of trade as propagated by the EPAs will set back poverty reduction programmes and strategies in the ACP and thereby further undermine the Cotonou Agreement, last but not least with regard to the promotion of social sector funding (cf. Laryea et al 2004; Hurt 2003:161, 169). The apparent lack of credibility concerning broken promises of increased EU development aid for African LDCs could aggravate the fate of Africa's poor and the menacing humanitarian crisis even further[10].

All in all, the neo-liberal recipes of the Breton-Woods institutions concerning trade liberalization have done more harm than good, as far as sub-Saharan Africa is concerned, mainly because of the following reasons: First, the opening up of markets had negative effects on economic growth in the long run, mainly because it was not accompanied by an improvement in institutions (cf. Borrmann and Busse 2006:232-233). Second, the continuing reliance on the supposed comparative advantages of the export of agricultural products and oth-

[9] The Food and Agriculture Organisation (FAO) reported in April 2008 that 36 countries were currently facing a food crisis, 21 of them in Africa.

[10] On 9 April 2008, EU president Barroso condemned EU member states who had promised in 2005 to increase aid to 0.56 per cent by 2010, and to 0.7 per cent by 2015 respectively, whereas an OECD report revealed in early April that ODA of major EU countries decreased considerably in 2007.

er raw materials (apart from oil and diamonds) did not result in net-gains as promised by the Ricardian theorem, which still forms the basis of modern trade theory (reformulated as the Heckscher-Ohlin model), in view of volatile commodity prices, poor infrastructure and political instability which increases transaction costs. Furthermore, high revenues from commodity exports threatened to increase rent seeking, corruption, or suboptimal allocation of resources (‘resource curse’, Dutch disease) in African countries with serious governance deficits[11]. Therefore, experts and African politicians alike elaborated alternative proposals to EPAs (Bilal and Rampa 2007: Policy Management Report 11 for a summary), however, they have little chances to be implemented due to lack of political backing by the EU and other Western global players.

4. African Migration to Europe and the quest for a sustainable working force in EU core countries

Migration from Africa is a reflection of its socio-economic dynamics over time (cf. IOM 2003:220). In the last decades, the number of migrants from conflict regions in Africa increased dramatically. Most African migrants with overseas destinations live in Europe [12]. The major reasons for the unequal global distribution are the comparative advantages with relation to transfer cost, and the established cultural and socio-economic links of African Diasporas to the former colonial powers[13]. The rate of immigration in highly industrialized Western European countries has accelerated significantly in the past decades. Mostly undocumented Africans constitute a growing proportion of these immigrants. Therefore, official figures are probably grossly underestimated. According to estimates of the Migration Policy Institute, there are some seven to eight million irregular African immigrants living in the EU, mostly in its Southern parts[14].

Apart from political persecution, violent conflicts and gross human rights violations, there exist other economic and social push factors, induced by population pressure, degradation of

[11] On the link between governance and trade policy cf. in addition Goodison 2007; Hugon 2007; OXFAM 2006.
[12] According to 2005 estimates of the International Organization on Migration (IOM), there are about 4.6millions recorded Africans living in the EU, compared with 890,000 in the USA.
[13] According to IOM-census figures about two-thirds of Africans in Europe are from Northern Africa (Algeria, Morocco and Tunisia). A smaller, but steadily increasing part arrived 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).

natural resources, and poverty, which account for the major part of the current migration. Notably, young people, threatened by unemployment and lack of perspectives in their home country, are eager to try their luck in what may appear to them at first sight as their *El Dorado,* i. e. Western Europe. Many of them struggle to reach it, in utter disregard of the involved risks, by all means, mostly illegally. There are well-founded reasons to believe that this tendency will accelerate, as Sub-Saharan Africa has probably a higher potential for immigration into the EU than any other region of the World. Some experts even believe that population movements 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 on all sides concerned are well advised to take this development more seriously than in the past. However, experts and politicians alike are deeply divided over both the best concepts for analysing and for solving the problem. Even in scholarly literature, several myths about international migration, e. g. on aid and trade as short-cut 'solutions' to migration, or on the recent 'remittance euphoria' still persist (for a critical evaluation of these myth cf. Haas, 2005).

The European Union and its member states share dual responsibility for the continuing migration pressure: First because they fostered over decades corrupt and autocratic regimes with dire disregard to principles of 'good governance'[15]. The aftermath of these regimes is still to be felt today and constitutes one of the underlying factors for politically and economically motivated migration. Secondly, the EU contributed to Africa's economic misery, due to the damaging effects of European unfair external trade policy mentioned above (cf. Kohnert 2007). Nevertheless, the prevailing perspective of the EU and of its member countries concerning African immigration remains to be focused on security, the foreclosure of its external borders and prevention. Current EU programs and concepts to combat African migration are questionable. Even development orientated approaches are bound to fail, if not backed by sustainable immigration policies, allowing for freer circulation host and home countries (cf. Haas 2005:1279-1281).

Although the majority of African migrants in Europe are young poorly educated people there exist a considerable *'brain drain'*: As usual, the better educated, have most to gain, and because of their resource endowment they are more prone than others to benefit from the pull factors, like better living and economic conditions in their host countries. This is one of the reasons for an accelerating 'brain drain' over the past thirty years, which resulted in the loss of

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[14], The actual number fluctuates in accordance with the regularisation programs of member states, notably of France, and more recently of Italy and Spain. However, many of the officially recognized migrants fall back into illegality when their limited visas expire or if they fail to meet other conditions for recognizing their legal status.
[15] For details and a revealing case study on Togo cf. Kohnert 2009; other cases are Congo, Nigeria or Cameroon.

about one third of the African academic workforce to highly industrialised countries (cf. ECA 2006:61; Manning 2007)[16]. According to UNCTAD which estimates the loss of one qualified academic costs on average US $ 184,000. Last, but not least, the brain drain delays the growth of an African middle class and the development of sustainable structures of the civil society, which may exert a negative impact on the political and economic stability of the countries of origin. Although industrialized countries are not to blame for the attractiveness of their highly skilled labour markets they could restrict this drain of human resources from Africa by promoting measures such as 'ethical recruitment' and more liberal circulation regulations for migrants between countries of destination and origin. In fact, at least the former has already been demanded by NEPAD (cf. ECA 2006:17).

However, there are also positive – although often neglected – socio-structural effects of the brain drain, beyond the question of remittances. This counteracting '*brain gain*' relates to the transfer of knowledge, of innovations and the consolidation or extension of foreign trade relations. New value systems, political and spiritual orientations, acquired by migrants in Europe, and imported into their home countries often contributed significantly to the development of Africa (cf. Haas 2005:1272-73). Migrants among the African political elite, for example, mostly educated at European universities, played a decisive role in many liberation movements.

In addition, remittances of African migrants can contribute considerably not just to the well-being of their families at home, but to poverty reduction and development on a regional or even national level in general[17]. Although average individual remittances from Africans are relatively low (US$ 200-300), compared with the global average, its overall annual total doubled between 2000 and 2005 from 4.9 to 8.1billions. US dollars, according to estimates of the World Bank and ECA. However, these official figures reflect only an incomplete image of the reality. Many Africans prefer informal channels for remittances' transactions in view of the lack of performance of the African banking system, notably if they are unauthorized guests in their receiving country. These informal transfers amount from two to threefold of the share of officially recorded remittances, according to estimates of the IOM. In some LLDCs, they surpass even private foreign direct investments (FDI) or development aid.

[16] Between 1990 and 2000 the stock of skilled African immigrants in OECD increased by 113 per cent (cf. Lohest/Marfouk 2007; OECD 2006). However, current concepts of the negative welfare effects of the 'brain drain' from LDCs often do not take sufficient account of the globalisation of labour (cf. Manning 2007). Apart from the 'brain gain' and the positive impact of remittances on development in their home country, they ignore significant pull and push factors at play, e.g. with respect to employment in international agencies, which is not necessarily to be considered as a loss to the respective home country.

5. Africa's new silver bullet:
The impact of growing competition from China on EU-Africa economic relations

For some years now China's presence in Africa hits the headlines. So far, macroeconomic studies on big projects, investments and the general phenomenon of Chinese infiltration into Africa are in the focus of political and economic reports. Depending on one’s own point of view, the Chinese are regarded either as development promoting entrepreneurs, a view which is widespread among the African power elite, or as new colonists, a perspective which prevails among workers employed by Chinese enterprises e. g. in Zambia, Angola or Senegal, or, at least in a more or less veiled form, by Western competitors and donors. Over the past six years, China has become one of Africa´s important partners for trade and economic cooperation. Trade (exports and imports) between Africa and China increased from US$ 11bn in 2000 to US$ 56bn in 2006 (cf. UNCTAD 2007). Africa’s foreign trade with Asia, notably that with China, has surpassed all other regions over the past decade. African exports to Asia increased by 20 per cent during the last (available) five years (2000-05). As share of Africa's total exports, that to Asia rose from 9 per cent in 1990 to 27 per cent in 2005. At the same time exports to traditional markets of the former European colonial powers decreased from about 48 per cent to 32 per cent (and to the United States 29 per cent; cf. Broadman H. G. 2007: 66). Africa imported 33 per cent 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 of their products after East & Central Europe (ibid.). In the first 10 months of 2007, China's exports to Africa rose again by 36 per cent, while imports from Africa surged by 81 per cent.

'Trade, not aid', the universal remedy of neo-liberalism in propagating development, maintaining 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 growing Chinese presence in Africa too. But even within the realm of development cooperation China outperformed the West, at least in the view of African elder statesmen: in 2007 the Chinese Eximbank pledged US$ 20bn in development funds for African infrastructure and trade financing over the next three years, funds that outstripped all

[17] cf. OECD 2006:142-43; Gubert 2005; Sall 2005; Haas 2005: 1274-78.

Western donor pledges combined, according to the Senegalese head of state Abdoulaye Wade (cf. Wade 2008:20)[18].

The same holds for China's soaring Foreign Direct Investment. Singapore, India and Malaysia currently are the top Asian originators of FDI in Africa, with investment stocks of US$ 3.5bn (cumulative approved flows from 1996 to 2004), US$ 2bn and US$ 1.9bn through 2004, respectively, followed by China, the Republic of Korea, and the Taiwan Province of China. China´s FDI stock in Africa had reached US$ 1.6bn by 2005. Chinese companies were present in 48 African countries. Until quite recently, only a few African countries had attracted the bulk of China´s FDI in Africa: Sudan was the largest recipient (and the 9th largest recipient of Chinese FDI worldwide), followed by Algeria (18th) and Zambia (19th) (cf. UNCTAD 2007). But other resource-rich countries like Nigeria followed suit more recently. In March 2008 for example, Nigeria was offered up to US$ 50bn by Sinosure, China's export credit guarantee agency, to assist the funding of projects in Nigeria over the next three years. This was the largest overseas commitment by China so far and designated to encourage a wide range of Chinese private investment in Nigeria, notably concerning the improvement of Nigeria's poor infrastructure, e.g. in the railway and the power sector. The facilities were meant as an exchange in return for licences in oil exploration blocks[19]. All over Africa, China executes some 800 projects with a total cost of $ 5.74bn. By November 2006 China had signed 16 cooperation-agreements with a total of $ 1.9bn, involving 12 Chinese firms and 11 African governments and companies, all in line with President Hu's pledge to provide $ 5 bn in loans and to double aid by 2009.

Western donors of development aid to Africa, notably the EU and some of its member states, were quick in complaining about the negative impact of China’s and India’s mounting economic and political influence on Sub-Saharan Africa. China was accused of displacing African local production, notably in the clothing and textile sector (cf. Kaplinsky and Morris 2007:269-270), and fostering other Dutch disease implications. In addition, it allegedly counteracted the Western donor’s development orientated foreign and development policy by neomercantilist trade strategies. While benefitting from debt-relief efforts of Western donors, the

[18] India followed China's path when it announced in April 2008 to double the credit lines to projects in Africa from US$ 2.15bn to $ 5.4bn between 2003-04 and 2008-09 (cf. Johnson 2008).

[19]. In fact, China was in for a $ 4bn deal for drilling licences in Nigeria, including grants for economic and technical cooperation in anti-malaria drugs and rice production (cf. Green and McGregor 2008). However, the new Nigerian Government of Yar'Adua realized soon that the deals with the Chinese agreed upon under the reign of its predecessor Obasanjo in 2006 were questionable, vague and 'over-inflated'. Therefore, on 4 November 2008, it suspended the US$ 8.3bn contract with China Railway Construction Corp. to modernize the 1,315 km railway line between Lagos and Kaduna and ordered a review of the contract (cf. Mure 2008).

latter were concerned about new debt traps of African countries by imprudent Chinese lending, thereby counteracting the Heavily Indebted Poor Countries (HIPC) initiative. Among others, these worries were reflected in the G8 *Action Plan for Good Financial Governance in Africa*. Results of a recent scholarly evaluation revealed these claims, notably the 'free rider' thesis, as largely unfounded. The overall situation is much better than 'China bashers' made us believe (cf. Reisen and Ndoye 2008:9), nevertheless considerable risks concerning debt sustainability in Africa remain, notably in view of the current global financial crisis. Notwithstanding, some EU member states were quick to act in retaliation for the assumed threat. Thus Paris, 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 about 70 per cent of Chinese aid to Africa (US$ 10bn) was tied, which allegedly contributed to a trade diversion to the detriment of French African exports[20]. Although the authors of the report cautioned against the revival of the infamous French policy of tied 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 also in other EU member states. High ranking officials of the European Commission already complained about double talk – not just of France, but also of other EU member states (Spain, Italy, Portugal, or Poland) – concerning the trade with Africa and the protection of their own interest (cf. Ricard 2007). Under these conditions, it is presumably only a question of time that other major EU states will follow suit and accept implicitly a roll-back strategy, comparable with the 'realpolitik' of the times of the cold war era. This the more, because the mounting competition of European economies with Asian global players allowed Africa countries to apply a seesaw policy between the two competing blocks in order to optimize their economic and political return. Recent political statements of senior African statesmen, like the Senegalese president Abdoulaye Wade (2008), criticising the double talk of Western donors vis à vis China, are unequivocally in this respect.

However, the official presence triggers also another attendant phenomenon, which hitherto has attracted little attention neither in politics nor 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. Who are they, how and why do they migrate? Where do

[20] One example quoted explicitly in the report was Angola: "En Angola, une line 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" (cf. rapport du Conseil des affaires étrangères: 'Les intérêt économiques français face à l'irruption de nouveaux acteurs en Afrique', quoted in 'La Lettre du continent', No. 534, 07 February 2008, p. 3.

they settle, how do they organize their economic and social activities? These and other questions have only recently found entry into the international research agenda. But it is already visible that the Chinese presence and the soaring import of Chinese products do exert also adverse spread effects on the nascent industries in the least developed African countries, although the growing pressure of Chinese competition is certainly to be felt differently in different sectors and countries of African economies. Some countries consider it rather as complementary to the growth of commerce and industry of their own country, but African entrepreneurs and workers increasingly feel threatened by unfair competition or exploitation 'made in China'. There is a growing cleavage between the official discourse and window dressing of representatives of China and Africa on the one hand, and the local perception of concerned African petty traders, peasants or workers on the other. The ambiguous consequences of Chinese economic and political influence on Africa remain disturbing, in particular with respect to African trade, protection of infant industries, to social rights and workers' protection, and last but not least concerning the neglect of environmental questions. The implications for EU-Africa relations are open to question. At least European humanitarian aid and pro-poor growth initiatives of the EU might be seen more positively by Africa's poor than by some African statesmen of doubtful democratic credentials who resent any interference into internal affairs.

6. Conclusion

Promising growth rates, increased trade, aid and competition of major global players for African resources, boost development and bargaining power of sub-Saharan Africa towards the EU. Progress towards the Millennium Development Goals has been made but by far too slow. Due to the legacy of Africa's colonial past, African LDCs remain vulnerable to external shocks. In addition, the unfair EU foreign trade policy still contributes to poverty and unsatisfactory development. The political and economic dominance of African states by the EU and its former colonial powers perpetuates asymmetrical power relations in the new Partnership Agreements (EPAs). Most African governments welcome the growing Chinese influence as counter-balance to the imposition of Western conditioning of aid and unfair trade policies of major Western global players. Others regard the take-off of foreign trade relations with China with growing suspicion. Besides, there is a growing cleavage between the official discourse of the representatives of China and Africa and the perception within the local population which may contribute to a re-evaluation of European humanitarian aid and pro-poor growth initiatives by African states.

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