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EU-Africa Relations, China, and the African Challenge¹

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Abstract

The African continent is a sleeping giant which will increasingly be a player to be reckoned with on the global stage. At the same time, its migration potential will be multiplied by Africa's forthcoming demographic explosion. Consequently, the EU and Africa have a shared interest in working together towards making African development sustainable. African integration will be key towards speeding up this process.

This paper first evaluates the stakes of the African challenge for the European Union. It considers the economic potential that can be unleashed by speeding up integration processes in Africa. Second, it argues that Africa will be 'the China of the 21st Century', and that any development, positive or negative, taking place there will have large repercussions in Europe, and that therefore the EU and Africa are communities of destiny in need of a joint approach towards African industrialisation. Finally, it provides a roadmap of important steps that Europe needs to consider in its endeavour to support African development.

Key words: Africa, development, EU, growth, integration.

Introduction

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The last decade has seen the emergence of two new parallel developments in the international economic arena. One is the rise of China as a major power. The other is the increased inclusion of Africa in the world's economy. These two critical dynamics are increasingly interwoven, in a web of business and investment relations which are largely, though not exclusively, the result of an intense Chinese engagement in Africa over the last two decades. The dimensions of this engagement cover the economy, investments, trade and business, but also the social and cultural domain. These trends have important implications for Africa's economic and industrial rejuvenation, sometimes referred to as Africa's *renaissance*.

The African continent is indeed changing fast. Once dubbed *the forgotten continent*, Africa is no longer associated exclusively with the plagues of endemic poverty, ill governance, conflict, food insecurity and epidemics. It is today *a sleeping giant* on the brink of major changes. Africa is the last frontier (Halligan 2012), the last part of the world, apart perhaps from Antarctica, where geopolitics and geoeconomics have not yet been fully decided. It is *a giant in the making* who will increasingly gain in importance on the global stage (Lamy 2013; Baverez 2015).

At the same time, most African leaders are facing 'wicked problems', a term coined by European design theorists Horst Rittel and Melvin Webber (Rittel and Webber 1973) to refer to problems that are not just challenging, but 'inherently unsolvable'. African development is indeed facing a number of major obstacles, the combination of which appear, at first glance, to be impossible to solve, at least without determination, strong leadership and resolute measures.

It is the purpose of this paper to raise awareness of Europeans on the scale of *the African challenge*, as well as on the existential need for Europe to tackle it upfront and without delay. Indeed, the European Union (EU) and Africa have a shared interest in working together towards making African development sustainable. And African integration will be key towards speeding up this process. But do the EU and its Member States fully appreciate the real stakes linked to African development, and what the implications of slow-pace or delayed development would be for Europe? Have they fully realised how crucial it is to take on the challenge of 'making Africa work'? (Mills *et al* 2017) First and foremost, why does this represent such a challenge? What could Europe do to speed up the improvement of the world's least developed continent, and how?

The African Challenge – The Stakes for Europe

No major player on the world stage can afford to ignore the African continent any longer. This also applies for the EU. Not only is Africa a very close neighbour just across the Mediterranean, but it has the world's youngest demographic profile, in sharp contrast with an ageing and diminishing European population. This discrepancy is widening: whilst the youngest continent continues to become younger, the oldest continent is getting older (Trouille 2017). The 2015 migration crisis showed blatantly how developments in apparently remote areas of sub-Saharan Africa can have an impact on European domestic politics and trigger new dividing lines in European political systems (Smith 2018). In an increasingly interdependent world, the future of European democracy depends on how we interact with countries outside of Europe.

In addition to being on the verge of a massive demographic expansion, Africa is the second largest continent and has the potential to become a huge market. A rising Africa on world markets will be a global game changer. Its resources are of fundamental importance for Europe. Links and partnerships between the two continents can lead to win-win economic cooperations – Provided that there is a will, backed up by an appropriate strategy. However, Europeans today appear, far too often, to be introspective, self-absorbed, and tend to remain rather indifferent to these potential opportunities, in spite of the fact that on their doorstep lies a continent with a gigantic potential for economic growth and wealth creation. European businesses tend to prefer the comfort of the EU Single Market rather than investing on emerging markets not bearing the promise of immediate dividends. Whilst Europeans have considered Africa for too long as their natural backyard, the rest of the world has discovered its potentialities, resources in raw materials and rare earth minerals, and are eager to position themselves in many African countries. Not least China, whose presence is noticeable in virtually each of the African states, but also India, Japan, South Korea, Brazil, Malaysia, Turkey, Australia, are all interested in Africa, and they act accordingly. Even Russia, which organised its first Russia-Africa Summit in October 2019, is increasingly present.

Africa's economic turnaround has started. It is taking place, right under Europe's nose, and arguably at Europe's expense. China's exports to African countries tripled in ten years' time from 2002 to 2012. They now account for one fifth of all exports to Africa. Those from Britain, Germany, Spain, Italy and Japan have all been falling. Very few Europeans have taken notice of this, even though the EU remains, before China, the main trade partner and the first

provider of foreign direct investments to Africa. Only a few will know that since the turn of the century six of the ten fastest growing countries are in Africa, and there have been several years where Africa as a whole grew faster than East Asia. At least a dozen African countries have enjoyed similar levels of growth as in East Asia over the last ten years. Slowly, but surely, the giant is awakening. However, Europe's focus has been more on the difficulties, trouble and threats of investing south of the Mediterranean than on the opportunities. And yet, if the geopolitical context in Africa leads to greater instability, Europe will unavoidably be on the frontline (Trouille, 2017). All developments, positive or negative, affecting Africa, will have more knock-on effects on Europe than on any other part of the world. Hence, from a European perspective the case for supporting African development to make it sustainable is a compelling one.

The African Context – Understanding the Challenge

Africa's pressing challenges in terms of governance, corruption, slow and unequal growth, infrastructure needs, are 'wicked problems'. Moreover, the combination of these problems tends to generate multiplier effects, making it even more difficult to tackle these issues. As such, wicked problems can only be addressed with dedicated leadership, efficient governance, and ambitious measures. There is no shortage of vision and innovative ideas among African leaders as to what needs doing, but these rarely go through the implementation stage. The volatility of many of the continent's 54 states poses security issues, internal as well as external. Its rich mineral resources are a source of greed and envy. They will be the focus of even greater global resource competition and unrest, as is the case with foreign powers' attempts to seize them in the Democratic Republic of Congo (DRC) and other fragile states. The *extractivism-based-model*, i.e. the process of extracting natural resources from the Earth to sell them on world markets, has not generated wealth for the common good. Instead, this model of raw material exploitation has led to the pillaging of resources that do not benefit the poor.

Most importantly, the African continent is on the brink of a demographic explosion. Its population is set to more than double by the middle of the century, with all the implications that this will have, notably in terms of education and training. If the challenge of providing education and training to the coming generations can be met, Africa may benefit from a demographic dividend with the world's largest available workforce. It would then supplant China and the Far East and become the new workplace of the world. Some more successful

African countries, i.e. Ethiopia and Ghana, have already become the new workshops of the world, able to produce certain goods, e.g. textiles, cheaper than in East Asia.

Half of the global population's explosion up to 2050 will be happening in Africa, which will count an additional one billion inhabitants in the next 30 years. This will put huge strains on governments' ability to feed and house their countries' people. The speed of urbanisation is a tremendous challenge: the rapid growth of African cities can generate unmanageable, crime-ridden slums.

Finding ways to boost food production will also be a major headache for Africa leaders when the whole continent today produces less food than it used to in 1960. And yet, Africa would have sufficient areas of unused arable land in order to feed itself, if not the world. But instead, Africa has become a major consumer of Asian rice, with India and Thailand selling half of their rice exports to African countries, mainly in West Africa. Another African 'wicked problem', linked to food production, water scarcity, in the Sahel and in countries most affected by global warming, will make water management increasingly difficult in years to come. This will potentially be a source of conflict, as shown by growing tensions between Egypt, Sudan and Ethiopia about the new Nile River dam.

In the face of all these substantive obstacles, not all are reasons for doom and gloom. There is, among some economists, a school of thought which postulates that Africa's demographic growth will be a driver of wealth rather than the harbinger of doom. They argue that the vicious circle could be turned into a virtuous one. For this to happen, the demographic explosion will need to be backed up by sustained levels of growth able to provide 23 million additional jobs yearly for the youth arriving on African job markets. With such a scenario, European know-how could combine with Africa's expanding marketplaces to transform the economic outlook. If the availability of African labour can be combined with new technologies and with the continent's tremendous, largely untapped natural resources, then clearly the sky could be the limit. However, this all needs to happen first, and in this crucial process Europe has a role to play that will be of historical importance. Will the EU, European companies and financial institutions, shy away because they are unwilling to take financial risks? Sometimes former colonial links make them more familiar with local conditions. Another substantial advantage for Europeans lies in the fact that the vast majority of African states uses English, French or Portuguese as official language. It is important for Europe to

draw advantage of these positioning advantages to consolidate its positions. Not just China, but Asian investors in general, are among the most active and far-sighted on African markets. The Indian telecoms giant Bharti Airtel, for instance, third in size in the world, is present in numerous African countries.

African Integration

Furthermore, whilst the principles of free trade are under ideological attack in many parts of the world, the case for more intra-regional trade in Africa is overwhelming. It will be essential for the continent to bring about the integration of its states, within the frameworks of its Regional Economic Communities (RECs), as well as at continental level under the aegis of the African Union (AU). Understandably though, integration has its own limitations. Any form of political union beyond what the AU represents appears unlikely in the foreseeable future. At regional level, alongside eight main RECs, the number of regional, sub-regional or sectoral organisations has significantly increased in recent decades (Révillon 2015). However, rather than helping integration move forward, this flurry of regional organisations slows the process considerably and creates unnecessary competition between various groupings, whilst some countries' membership in several RECs generates additional problems.

Notwithstanding this, more open borders are essential to encourage trade and investment (Adebajo and Whiteman 2012), open up new business opportunities, enhance knowledge and boost innovation. Many African countries are sub-skilled, landlocked, with variable size, and have relatively small populations. Smaller countries in sub-Saharan Africa receive only a very small share of foreign investment in the continent because the lion's share usually goes to South Africa, Egypt (until it was hit by political turmoil), and oil-rich Nigeria. Africa is still a backgarden of the global economy. It currently attracts only 3% of the more than one trillion \$ spent worldwide each year on international investment projects. Its share of world trade is just 2%. Africa's total economy represents some \$1.6 trillion yearly, but in terms of purchasing power this amounts to only 2.5% of the world's economic output. Furthermore, intra-African trade, with 14 percent of overall African trade, is still in its infancy in comparison with 67 percent of EU trade consisting of intra-EU trade and 58 percent for intra-Asia trade². A push to speed up economic integration, with business-friendly facilitation measures to reduce red tape and increase freedom of movement, would greatly contribute to

² Financial Times, 4 April 2018

making African growth more sustainable. Furthermore, economic integration creates alliances of countries more prone to achieve gains collectively in trade negotiations rather than separately.

To sum up what precedes, the real issue is about the future position of Africa in the world's economic integration, in the international division of labour, and in relation to the major stakes which know no boundaries: climate change, migration, sustainable development, fundamentalism. All these question marks and stakes point out to the same fundamental question: What will be the role of Africa in tomorrow's world? As pointed out by Pascal Lamy and numerous other observers, it is in Africa that in the next few decades the most important and decisive chess match between geopolitics and geoeconomics will take place. In these circumstances, what could Europe do to support the world's least developed continent in achieving sustainable growth? What does Europe need to do to benefit from Africa's growth and ensure that it will see thriving markets on its southern doorstep?

A Roadmap for the EU

Firstly, Europe needs to reset its geopolitical compass and be less exclusively focused on migration. This involves understanding where its long-term interests lie, and being prepared to defend these interests. The stakes are overwhelming, and the challenges of *making Africa work* (Mills *et al* 2017) become more pressing by the day. Europe also needs to abandon enduring prejudices about Africa. A long history of exploitation, from the slave trade to colonial times, has left deep scars in the collective unconscious of Africans which are prompt to resurface in the complex ongoing interface between Africa and Europe. In this respect, it is worth taking a fresh look at what is being achieved in Africa.

Secondly, there is already a large range of EU initiatives and contributions to support Africa, of which some go in the right direction, subject to more effective coordination, but some also do not (Seitz 2018). The time has come for the EU to turn the page of public development aid. This aid provided to Africa is substantial, and allows the EU to pride itself for being the most generous donor to African states. However, ample evidence points to the fact that the aid poured to Africa has made far less impact on people's living standard than was expected. This has been acknowledged by a number of economists such as Deaton (2013) and Bourignon (2015). The latter rightly claims: '*When the share of external aid that reaches the local population only amounts to 15 percent of the transfer, often even less, because 85*

percent have been 'redirected' by state corruption and wasted, then should development aid be stopped altogether?' (Bourgignon 2015). Can we also just ignore that arms and exports to these countries cancel most of the effects of this aid, by contributing to civil wars and self-destruction of unstable young states?

EU funding covers two types of aid: projects, which have a high level of visibility; and budget support, seen as contributing to the 'local ownership' of development projects. The EU Commission regards this as a source of leverage in strengthening governance. Good examples are support in organising elections, or assistance to civil society organisations, which strengthens the capacity of political parties. A functioning judiciary, or transparent land ownership legislation, are also regarded by the EU Commission as key areas of support. The EU Commission's Directorate for Development and Cooperation (DEVCO) has established key indicators to measure progress, using poverty-fighting benchmarks set by the United Nations' Millennium Development Goals. However, reliable statistics are too rarely available to allow proper comparison and evaluation. The Commission increasingly realises that the system in place does not work, and that an overhaul of development aid is necessary. Such reform should be geared towards human development and carried out with a focus on public and productive investments. If Europe's ambition is to play an instrumental role in speeding up African development, it should proceed to a complete reappraisal of development aid (Seitz, 2018). In the case of a few sub-Saharan countries like Ghana, where assistance in projects or budget support no longer appears necessary, the EU Commission is already considering, in coordination with the countries concerned, an aid exit, or 'exit strategy'. As Rwanda's President Paul Kagame declared at the Fifth African Leadership Forum, on 2 August 2018 in Kigali, *'Africa can finance its own development!'*.

At the same time, DEVCO Commissioner Neven Mimica, argues in favour of linking migrations and development aid. But is this realistic, and above all, can it achieve the aim of keeping migration levels under control? (Trouille 2017) This is highly unlikely. If we consider this in a cynically realistic way, those Africans considering migrating to Europe are not among the poorest ones, struggling for survival. African migrants have access to resources allowing them and their families to bring together the money they will need to pay smugglers for their passage to Europe. Paradoxically, development aid provides some Africans with the means to come to Europe rather than being a financial incentive to stay at home. It would seem to be far more sensible to improve security, stabilise the functioning of

democratic institutions, and generate truly sustainable societies in sub-Saharan Africa rather than injecting *ad hoc* funding without a proper long-term view.

Thirdly, Europe can support and boost African development, but its model cannot be transposed to Africa, whose starting base, strengths and weaknesses are fundamentally different. Africans have to shape their own model. They do not need condescending foreign partners to take charge of them, they are doing it themselves. Notwithstanding this, it is important to ensure that Africa is at the centre of decisions that concern it directly. But cooperation is indispensable. The challenges Africans face have to be shared as they concern the whole of mankind.

Fourth, EU policymakers should also review the trade and development policies, the Economic Partnership Agreements (EPAs), that many Africans see as wrong-headed.

Fifth, and foremost, a large-scale European initiative would be urgently required, not least to regain lost momentum, but as a pressing necessity to accelerate Africa's economic transformation: *a European initiative for Africa*, which would be comparable in size and ambition with the Chinese Belt and Road initiative, would attract large-scale financing from international institutions, and would definitely send a strong signal that the EU intends to remain one of the key players on its southern flank. France, Germany and the World Bank want to invest more in Africa, but from a small starting base. It is not uncommon to hear political leaders in Europe talk about the need for a Marshall Plan for Africa. But what about concrete action? Europe can, and should, play an instrumental role in this process. In order to unleash African potential, considerable government spending will be required (de Boysson and Gillet 2019), which should be an incentive for private investment to follow. Returns on these investments may be uncertain and variable. It could take some years until dividends can be reaped. This is why Western investors remain underrepresented in Africa. However, if Europeans are not up to the African challenge, others will respond to it.

Sixth, it would be most appropriate to allow African RECs, and the African Union, to be represented in key institutions of international governance, the G20, the IMF, the World Bank, and other plurinational development banks. However, it will take time until the US and large European countries consent to revisiting their historical privileges. The EU could be a strong advocate of including Africa in these international organisations.

Finally, a dialogue should take place between Africa, the EU and China to promote a trilateral cooperation working towards boosting Africa's economy. Not just the EU and Africa have a shared interest in working together towards achieving sustainable development on the African continent. China and Africa also have a shared interest in pursuing their economic ties. They will continue to do so. Europeans need to factor this in and integrate this state of affairs in their external action strategies. Rather than being rivals in Africa, the EU and China have a joint interest in adopting a cooperative approach instead of one based exclusively on competition. They should re-think their stance towards Africa and towards each other, and consider a balancing act between competition and cooperation. Tripartite coordination would not only develop good practice. It would also draw advantages from combining the different strengths and comparative advantages that European and Chinese can provide. And last but not least, in this complex interface between the three, it is essential that Africans play their full role and are in the centre of trilateral decision making on decisions that affect them directly.

Conclusion

Over the next decades, sub-Saharan Africa will face three major, closely interrelated challenges. First, the doubling of its population by 2045. Second, a concentration of more than half of its population in megalopolies. Third, a large urban population of mostly young people who will be connected with each other and the outside world via mobile devices. This situation, if carefully monitored, can be a game changer for Africa. But without sustainable growth, the 23 millions jobs needed to integrate these young people in the economy will be missing. This could lead to a political and social catastrophe for both Africa and Europe (Mills 2017; Smith 2018). African leaders will need to face these tremendous challenges without resorting to forms of bad governance that have too often prevailed since gaining independence from colonial rulers.

The core question raised in this paper concerns the way forward: Europeans must learn how to deal with Africa. The EU has a key role to play in unlocking Africa's potential, and needs to contribute actively to ensure that the continent's development will be a success. Will Africa be able to play its full role in tomorrow's world? What will Africa's future position be in the international division of labour? In short, how to make Africa work, both for Africans

and their neighbours? Africa, with the support of Europe and in coordination with other willing partners, needs to pursue its drive for integration, both at regional and continental level, increase intra-African trade, implement joint policies for inclusive, sustainable growth, whilst at the same time developing through large-scale educational initiatives a new, ‘One Africa’ mindset, through the collective articulation of joint African positions in global affairs. In the end, with the support of Europe, Africans will have to empower themselves to find their own way and define their own model.

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