

BRIEFING

Requested by the AFET committee



# A Comprehensive EU Strategy for Africa Trade and Investments



Policy Department for External Relations  
Directorate General for External Policies of the Union  
PE 603.509 - June 2020

EN

## BRIEFING N°3

# A Comprehensive EU Strategy for Africa Trade and Investments

### ABSTRACT

The new European Commission (EC) is putting EU-African relations to the fore. A *Joint Communication of the EC towards a comprehensive Strategy with Africa* stresses the African Continent's strategic importance and the EU's need to strengthen its partnership with (and not for) Africa. Proposals in the Joint Communication maintain promotion of sustainable investments with Africa on top of the EU's agenda. Partnership with Africa to attract investors and boost regional as well as continental integration are specific actions aimed to attain sustainable growth and jobs in African countries. This emphasis is not new, being in line with a geopolitically oriented Commission and the European Union's (EU) trend of shifting from a Donor-recipient model to a relationship based on mutual cooperation, pursuing common interests and mutual benefits. As the COVID-19 pandemic takes hold in Africa during 2020, it is becoming more urgent that EU and African relations post COVID-19 be tailored to a new scenario and show tangible action using partnership rhetoric.

---

This paper was requested by the European Parliament's Committee on Foreign Affairs  
English-language manuscript was completed on 25 June 2020.

© European Union, 2020

Printed in Belgium.

Author: Ainhoa MARIN-EGOSCOZABAL, Elcano Royal Institute / Universidad Complutense de Madrid, Spain.

Coordinator: Trans European Policy Studies Association (TEPSA), Belgium

Official Responsible: Ulrich JOCHHEIM

Editorial Assistant: Grégory DEFOSSEZ

Feedback of all kind is welcome. Please write to: [ulrich.jochheim@europarl.europa.eu](mailto:ulrich.jochheim@europarl.europa.eu).

To obtain copies, please send a request to: [poldep-expo@europarl.europa.eu](mailto:poldep-expo@europarl.europa.eu)

This paper will be published on the European Parliament's online database, '[Think tank](#)'.

*The content of this document is the sole responsibility of the author and any opinions expressed therein do not necessarily represent the official position of the European Parliament. It is addressed to the Members and staff of the EP for their parliamentary work. Reproduction and translation for non-commercial purposes are authorised, provided the source is acknowledged and the European Parliament is given prior notice and sent a copy.*

ISBN: 978-92-846-6835-9 (pdf)

ISBN: 978-92-846-6834-2 (paper)

doi: 10.2861/19396 (pdf)

doi: 10.2861/935540 (paper)

Catalogue number: QA-02-20-458-EN-N (pdf)

Catalogue number: QA-02-20-458-EN-C (paper)

## Table of contents

1.	Introduction: progress towards a new comprehensive strategy with Africa	4
2.	Economic ties between Europe and Africa	6
2.1	EU-Africa trade relations and regional trends	6
2.2	Trends in foreign direct investment to Africa	8
3.	EU trade and investment policy towards Africa	10
3.1	EU trade regimes towards Africa	10
3.2	The EU and the African Continental Free Trade Area (AfCFTA)	12
3.3	EU initiatives for mobilising investments	14
4.	Conclusions and recommendations	15
	Bibliography	17

# 1. Introduction: progress towards a new comprehensive strategy with Africa

In a context of increasing attention to EU relations with Africa, on 9 March 2020 the European Commission presented a [Joint Communication to the European Parliament and the Council](#), which contained proposals for defining a new strategy. This communication is another step in on-going discussions to define a **new comprehensive EU Strategy with Africa**, jointly with African Partners, at the upcoming 6<sup>th</sup> EU-African Union (AU) Summit. This Summit is scheduled to be held in Brussels during October 2020, but likely to be postponed because of the coronavirus crisis.

The Communication contains initial elements of a future Strategy and proposes building a strategic alliance with Africa based on partnerships in five key global trends: green transition and energy access, digital transformation, sustainable growth and jobs, peace and governance along with migration and mobility. It proposes ten actions, related to the five partnerships as shown below (Table 1).

**Table 1: EC Joint Communication proposals (2020)**

Partnerships/key areas	Proposed actions
I. Green transition and energy access	<b>#1</b> Partner with Africa to maximise the benefits of green transition and minimise environmental threats in full compliance with the Paris Agreement
II. Digital transformation	<b>#2</b> Partner with Africa to boost the continent’s digital transformation
III. Sustainable growth and jobs	<p><b>#3</b> Partner with Africa: to bring about substantial increases in environmentally, socially and financially sustainable investments that are resilient to the impacts of climate change; to promote investment opportunities by scaling up the use of innovative financing mechanisms; and to boost regional and continental economic integration, particularly through the African Continental Free Trade Agreement.</p> <p><b>#4</b> Partner with Africa to attract investors by supporting African States in adopting policies and regulatory reforms that improve the business environment and investment climate, including a level-playing field for business.</p> <p><b>#5</b> Partner with Africa to produce rapid enhancements in learning, knowledge and skills, research and innovation capacities, particularly for women and the youth, protecting and improving social rights and eradicating child labour.</p>
IV. Peace and governance	<p><b>#6</b> Partner with Africa to adapt and deepen the EU’s support to African peace efforts through a more structured and strategic cooperation, with a particular focus on regions where tensions and vulnerabilities are at their highest</p> <p><b>#7</b> Partner with Africa on integrating good governance, democracy, human rights, the rule of law and gender equality in action and cooperation</p> <p><b>#8</b> Secure resilience by linking humanitarian, development, peace and security interventions at all stages of the conflicts and crises cycle.</p>

V. Migration and mobility	<p><b>#9</b> Partner with Africa to ensure a balanced, coherent and comprehensive approach to migration and mobility</p> <p><b>#10</b> Partner with Africa to strengthen the international rules-based order and multilateral system, with the United Nations (UN) at its core</p>
---------------------------	--

Source: own elaboration from EC (2020)

Other **general ideas** from the proposal are as follows:

- The continent is demonstrating economic expansion and a growing potential to boost social and human development.
- Young people and African women are the main drivers for sustainable growth, development and peace.
- Other world players' increasing interest in Africa is welcome, offering more opportunities for synergies and broadening Africa's options.
- As the EU and Member States are already Africa's main partners in many respects, the partnership must be translated into a strong political alliance.
- Common action is needed on global multilateral affairs.

Specifically regarding **trade and investments** as well as other economic related issues, the main ideas refer to:

- A proposal covering joint action to launch a decent job creation scheme (Partnership III) could be enhanced by (i) boosting trade and sustainable investments (public and private), (ii) improving the investment environment, (iii) quality education, skills, innovation (among others) along with (iv) regional and continental economic integration.
- A proposal to turn the Africa-Europe Alliance for Sustainable Investment and Jobs of 2018 into the main pillar of EU-Africa economic relations.
- A more coordinated approach by EU financial instrument controllers and European development finance institutions to increase the mobilisation of private investors and encourage development of the private sector in Africa.
- The message that the EU and Africa share a common interest in a stable multilateral trading system ruled by the World Trade Organization (WTO).

Special attention is given in the Communication to **digital transformation** (that is to say the impact of applying new technologies to business on people and firms). Although the development of Africa's digital economy is evolving quite fast, it still faces many constraints. Digital sector jobs require specific education and skills. Also, African countries need to continue progress in access to electricity and broadband connectivity. In addition, access to capital for African investors and public investment is needed. In specific sectors, as e-commerce, postal services reliability and many African cities lack of an address system.

In brief, proposals in the EC's Joint Communication towards a comprehensive Strategy with Africa place at the top of its agenda the promotion of sustainable investments. Partnering with Africa to attract investors, thereby boosting regional and continental integration are specific actions to attain sustainable growth and jobs in African countries. This emphasis is not new and is in line with the EU's trend to shift from the Donor-recipient model to a relationship based on mutual cooperation in pursuing common interests and mutual benefits. In this sense, development cooperation continues to play a role, but trade and investments have been commonly agreed by both sides to play a more important role in the future.

Although the EU-Africa Strategy has yet to be defined, the current COVID-19 crisis, that will hit hard Europe and Africa, is revealing different needs and will create new priorities for both Africa and the EU. Although there are good grounds for some needed issues, like gender and youth, some 'old' topics that were on top of the African agenda, such as tackling illicit finance flows, are missing. In the post-COVID-19 scenario, new priorities will arise, not only related to health infrastructure, but also the need for transformation of the continent by building regional value chains, economic diversification and industrialisation. Special attention will be also needed in the services sector, which paradoxically receives the least capital but creates the most jobs, and other sources of job creation.

## 2. Economic ties between Europe and Africa

The EU is still Africa's biggest trading partner, but other global actors are racing to catch up. The EU and Member States also account for most Foreign Direct Investments (FDI flows) in Africa, but companies from other developing economies are becoming increasingly active.

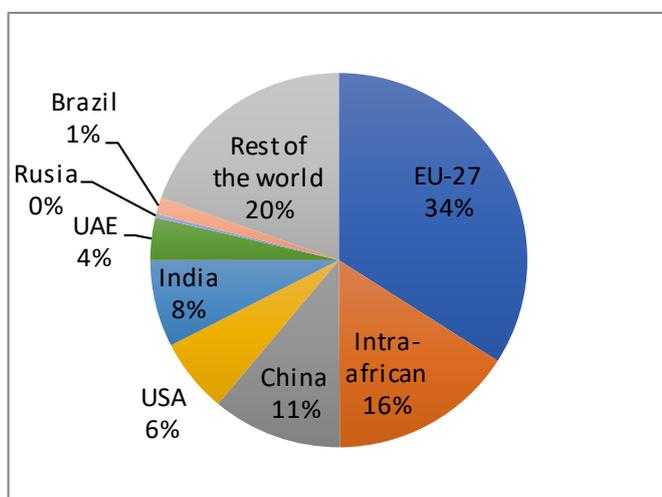
### 2.1 EU-Africa trade relations and regional trends

From a continental perspective, Africa's main trading partner is by far the EU, both for export and imports of goods. In 2018, total trade in goods between the 27 EU Member States and Africa was worth EUR 235 billion – more than 30 % of Africa's total. This compares to EUR 125 billion for China and EUR 46 billion for the United States of America (USA). According to Eurostat, the EU's four biggest economies, France, Germany, Spain and Italy are the largest exporters of goods to Africa and also the most important importers. Most EU countries have trade surplus with Africa, except Sweden, Slovenia, Italy and Spain.

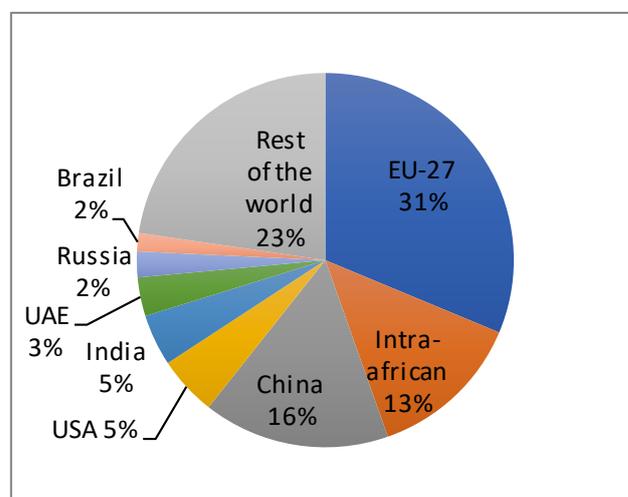
Over 65 % of goods imported to the EU from Africa were primary goods (raw materials, food and drinks, and energy). Raw materials account for 49 % of total imports, and among these imports we encounter some included in the EU critical raw material list (fluorspar, Helium, natural rubber, phosphate rock, tantalum, vanadium, and platinum). This list helps to enhance recycling activities and also achieve secure supply through diversification. From a geopolitical perspective, it also contributes to understand the strategic interest of the EU in African countries in view of the access to raw materials.

**Table 2: African main trade partners (2018)**

**African exports to...**



**African imports from...**

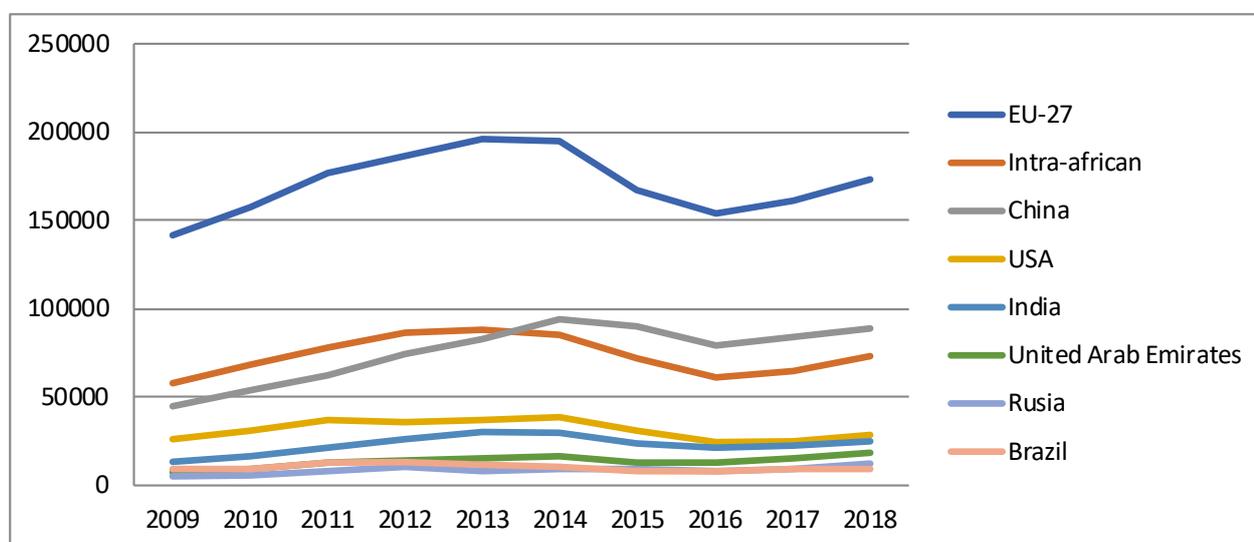


Source: own elaboration from UNCTAD

China is Africa's second largest partner both for exports and imports. Despite the current severe disruption in trade relations, according to most experts and following the last decade's trends (Table 3), China's

commercial presence in the continent will continue to grow. Accordingly, European companies will continue to face sharply increasing competition in African markets (Table 6). Conversely, while two-way US trade is waning (in some cases, due to US energy self-sufficiency), other emerging economies, such as India, show upward trends regarding both exports and imports. The upward trend in Russian exports to Africa is also significant, with the country currently accounting for 2 % of total African imports, albeit still a small share but having more than doubled over the last 10 years.

**Table 3: African imports (goods) by origin. (Millions of USD)**



Source: own elaboration from UNCTAD

Currently, as many factories and businesses in the EU and China have closed due to the COVID-19 pandemic, demand for many African export products have declined. Prices of base metals such as copper, aluminium or manganese (basic in industrial processes) have weakened, mainly due to lower Chinese demand. Similarly, as European demand is falling, commodity supply chains and exports to the European market are being severely affected. Lower global demand and the reduction in oil prices will have an ambiguous effect in African countries. It will hit the budget of oil exporters hard (such as Nigeria and Angola, the main African producers), but will help other net importers' trade balances (such as Malawi and Ethiopia).

### Regional trends

Intra-African trade, defined as the average of exports and imports, is still very low at around 14% of the total. It is generally regarded as the lowest intra-regional trade in the world when compared with other areas, such as Europe, Latin America or Asia. Despite the proliferation of Regional Economic Communities (RECs) since African countries gained their independence, intra-regional trade remains sluggish. However, a closer look reveals more dynamic behaviour in regard to certain regional trends, for instance the East African Community (EAC) and the Southern African Development Community (SADC) (20 % and 19 % respectively). As observed in the continental trend, most RECs' main trading is with Europe, except in SADC (equal trade with China and Europe) and the Economic Community of Central African States (ECCAS). The disruption in international supply chains that the coronavirus pandemic is causing (particularly with China, but also with the EU), has shown the importance of regional African producers to fill these gaps and the need to increase intra-African commercial relations.

**Table 4: Exports by destiny (%) in main African RECs (2010-2017)**

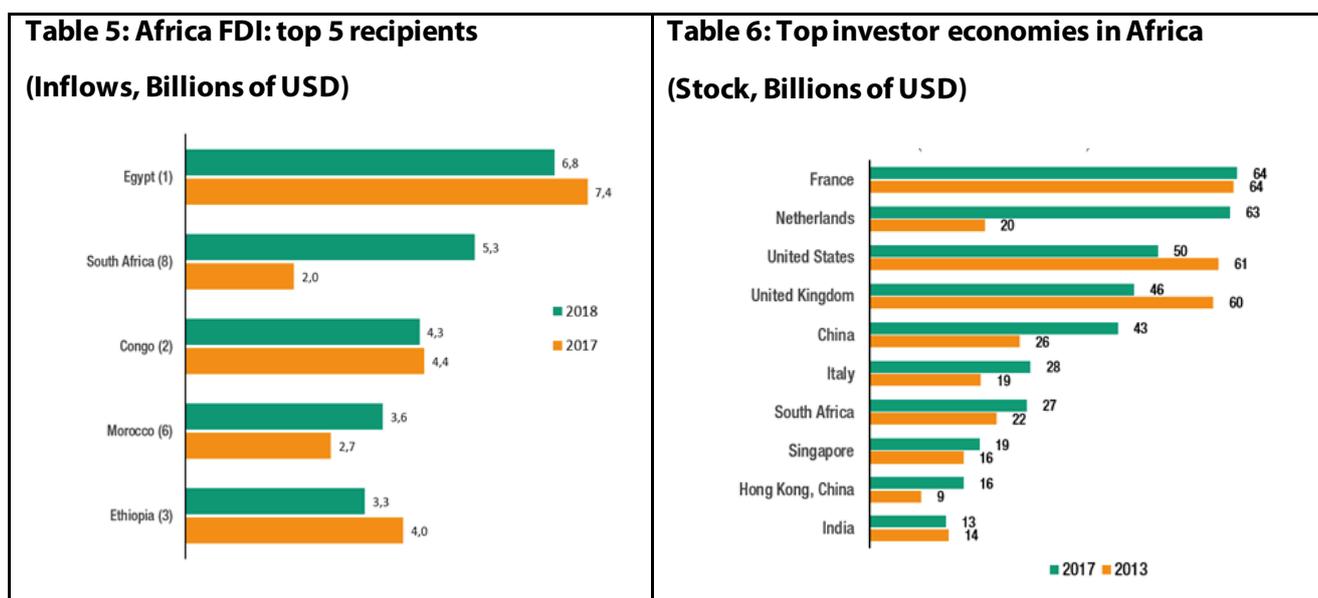
	<b>Intra-regional</b>	<b>China</b>	<b>USA</b>	<b>European Union</b>	<b>Rest of Africa</b>	<b>Rest of the world</b>
<b>ECCAS</b> ( <i>Economic Community of Central African States</i> )	2	<b>34</b>	15	20	4	25
<b>SADC</b> ( <i>Southern African Development Community</i> )	19	<b>20</b>	8	<b>20</b>	3	30
<b>AMU</b> ( <i>Arab Maghreb Union</i> )	3	5	8	<b>63</b>	2	19
<b>ECOWAS</b> ( <i>Economic Community of West African States</i> )	9	3	12	<b>29</b>	7	40
<b>COMESA</b> ( <i>Common Market for Eastern and Southern Africa</i> )	9	12	4	<b>37</b>	8	30
<b>EAC</b> ( <i>East African Community</i> )	20	5	4	<b>19</b>	18	34

Source: UNECA (2019)

## 2.2 Trends in foreign direct investment to Africa

Until the spread of coronavirus worldwide, Africa had escaped the global decline in Foreign Direct investment (FDI) and flows to the continent were rising steadily. Though total investment remained small in global terms, they were significant in relation to Africa's economic size. The top five recipients of investments are: (1) Egypt, (2) South Africa, (3) Congo, (4) Morocco and (5) Ethiopia (UNCTAD, 2019). Though FDI in some large economies, such as Egypt and Nigeria, is contracting, this is being balanced by a surge in other African countries, with best examples being South Africa and Ethiopia.

In terms of top investor countries (in capital), France is still the largest, albeit with no stock increases since 2013. The Netherlands, the United States, The United Kingdom (UK) and China follow on the top investor list. Following Brexit, of significance was the recent (and first) UK-Africa Summit, held in January 2020, which is looking to strengthen trade and investment for British companies after leaving the EU. South Africa is the main African country investing in other African economies, followed by Morocco, which is increasing its investment in the continent quite rapidly.



Source: UNCTAD

Investments in Africa can also be viewed in terms of projects, jobs created and capital. Regarding the number of projects during 2014 to 2018, the USA and France are the largest investors, followed by the United Kingdom and China. For this period, China accounts for the largest share of jobs created and capital inflows to Africa. Although not noticeable in absolute figures, Portugal and Brazil are important investors in Portuguese-speaking countries, such as Angola or Mozambique. Looking at African countries investing in their own continent, South Africa is by far the largest and most geographically extended in a large variety of sectors. In more local terms, Egypt and Morocco are important investors in the North region, whilst Nigeria and Kenya are the main investors in their own regions (West and East Africa respectively).

**Table 7: 10 largest investors (2014-2018)**

Country	Projects	Jobs created	Capital USD m
USA	<b>463</b>	62 004	30 855
France	329	57 970	34 172
UK	286	40 949	17 768
China	259	<b>137 028</b>	<b>72 235</b>
South Africa	199	21 486	10 185
UAE	189	39 479	25 278
Germany	180	31 562	6 887
Switzerland	143	13 363	6 432
India	134	30 334	5 403
Spain	119	13 837	4 389

Source: EY (2019)

The extractive sector continues to be key in terms of inbound capital, but there is a shift towards other sectors, such as industry and services. Moreover, flows into Sub-Saharan Africa are increasingly targeting consumers instead of extractive industries. It is important to note that despite services receiving the least capital, specific services (e.g. financial/business and tourism) are creating more jobs than other sectors and

furthermore account for most new projects coming into Africa. Under the services heading, the consumer sector is prominent due to urbanisation trends (increasing need for clothing and feeding) and the rise in incomes. It has recently overtaken financial services, according to the EY Africa Attractiveness Report.

During 2020, the pandemic is likely to bring about a drop in investments globally. Hence, Africa will also experience reduced foreign investment. Chinese infrastructure projects, for instance, will face delays. Earlier, opportunities available on the African continent in terms of natural resources, urbanisation, demographic trends, outstanding economic growth, infrastructure and energy needs had been boosting international initiatives to facilitate business investment in African Markets. Among this groundswell of initiatives, probably the most well-known is the China Belt & Road Initiative and, since 2013, the Forum on China-Africa Cooperation (FOCAC), the G20 Compact with Africa pushed by the German Government and the US initiative *Prosper Africa*. Russia also celebrated an inaugural Summit in 2019 whilst India had planned (but probably will postpone) a fourth India-Africa Summit for September 2020.

Whilst the coronavirus will probably cause disruptions to international investment in Africa, some countries like China or the EU, have deep-rooted interests in Africa, so it is certainly feasible that investment will recover and could then focus on new areas such as healthcare infrastructure. Europe could make a valuable contribution in developing local and regional value chains, green economy, supporting small and medium sized economies, knowledge transfer and development of human capital in the new post-COVID-19 context and needs.

### 3. EU trade and investment policy towards Africa

#### 3.1 EU trade regimes towards Africa

EU trade policy towards Africa has traditionally divided the continent into two regions: the North African countries and Sub-Saharan Africa (Under the umbrella of the Africa, Caribe and Pacific (ACP) Group. With the North African countries, Algeria, Egypt, Morocco and Tunisia, the EU has had bilateral free trade agreements (FTA) since the 1990s and 2000s. Under these FTAs, duty-free and quota-free access is granted for most goods (except for agricultural products exported by the African countries). Following the establishment of these agreements, whilst North African imports from the EU have increased over the years, North Africa's exports have not followed the same pattern and are still modest by comparison. Prior to 2011, the EU had been negotiating a trade agreement with Libya. However, according to the European Commission, the absence of political settlement within the country is still preventing trade discussions.

The EU started negotiations with Tunisia and Morocco to strive for more ambitious agreements, called Deep and Comprehensive Free Trade Areas (DCFTAs), that entail abandoning low-grade free trade and opening up more integration with the European Market. These DCFTAs build on existing agreements and look to liberalise most good and services, so as to cover most trade-related areas, including technical barriers to trade and legislative approximation. They are also aimed at facilitating European investments in these countries.

The EU-Tunisia DCFTA negotiations moved quickly and substantial progress was being made in many areas until May 2019. Regrettably, since then negotiations have stalled, which according to the EC is due to civil society protests and a change of government. In contrast, whilst EU-Morocco DCFTA talks had been on hold since 2014, both parties committed to relaunch negotiations in 2019. Negotiations have yet to resume, but meanwhile the Agreement faces a critical controversy regarding the Western Sahara conflict. Although the EU has never formally recognised Moroccan sovereignty over Western Sahara, it nevertheless decided to include these territories in the DCFTA with Morocco. This impression of Morocco's political legitimacy in the area has provoked a legal challenge from the Polisario Front, which represents the indigenous Sahrawi population who are seeking to break free of Moroccan rule.

**Table 8: Free Trade agreements between the EU and North African countries**

Country	In force since:
Tunisia	December 1997 (Negotiating a DCFTA since 2015)
Morocco	March 2000 (Negotiating a DCFTA since 2013)
Egypt	June 2004
Algeria	September 2005

Source: European Commission (2020)

The EU's trade regime with the remaining 49 Sub-Saharan African countries has evolved over time. Over the last 15 years, the EU has worked to transition from a non-reciprocal regime under Lomé Conventions (that gave free market access to most African exports into European markets) into a partnership model based on reciprocal market access under the umbrella of the Cotonou Agreement. Since the entry into force of the Cotonou Agreement in 2003, the European Commission has been negotiating **Economic Partnership Agreements (EPAs)** with African countries. The EPAs are FTAs with a pro-development orientation. In practice, as with other conventional FTAs, they give European companies preferential access to African markets. However, these EPAs remain controversial and as a result they have to date been applied to only 10 individual countries and one regional grouping (SADC). The **main concerns raised by civil society and some African Governments** regarding the EPAs are related to: (i) tariff reductions and loss of government revenue, (ii) negative impact of European companies competition in local producers, (iii) the threat to African regional integration efforts, and in general, (iv) the argument that EPAs are designed to benefit the EU side rather than pursue African interests.

For the remaining Sub-Saharan African countries (non-EPA signers), there are three different trade regimes. For those considered as Least Developed Countries, imports are duty-free and quota-free under the regime **Everything But Arms**. This highly preferential treatment does not require reciprocity and it also applies to other non-African LDCs. For the rest, the **Generalised Scheme of Preferences (GSP)** is applied. This is a broad treatment granting preferential tariffs to imports from developing countries worldwide. The GSP is the less preferential treatment applied by the EU to African Countries, whilst still implying some tariff reductions. A summary of all these various trade regimes follows (Table 9):

**Table 9: Summary of EU trade regimes with African countries**

Trade regime ⇒	Everything but Arms (EBA)	Economic Partnership Agreements (EPAs)	Free trade Agreements (FTAs) with North Africa	Generalised Scheme of Preferences Plus (GSP+)	Generalised Scheme of Preferences (GSP)
Beneficiary countries	31 Least Developed Countries (LDCs)	16 countries: Cameroon, Ivory Coast, Ghana, Mauritius, Seychelles, Zimbabwe, Madagascar, Comoros, Kenya, Rwanda and the SADC group: Botswana, Lesotho, Mozambique, Namibia, South Africa and Eswatini	4 North African countries: Algeria, Egypt, Morocco and Tunisia	1 vulnerable country, but not considered LDC: Cabo Verde	2 countries, not vulnerable, not LDCs: Nigeria and Congo-Brazzaville
Market access to the EU	100 % duty and quota free (except arms)	100 % duty and quota free (except arms)	Duty and quota free (exceptions for agri-food and fisheries)	Duty and quota free for 66 % of products	Lower tariffs for 66 % of products
	More preferential				Less preferential

Source: own elaboration from EC (2017) and EC (2020)

In short, although to a different extent from country to country, these trade regimes make the European market the most open to African exporters. Nevertheless, at the same time, these plethora of trade regimes divide the continent and pose a challenge to the African ambitions to establish a continental free trade area. A one and only trade regime between the EU and the African Continents would be more coherent and push more effectively the African Agenda of economic integration and the ambition of establishing a pan African market.

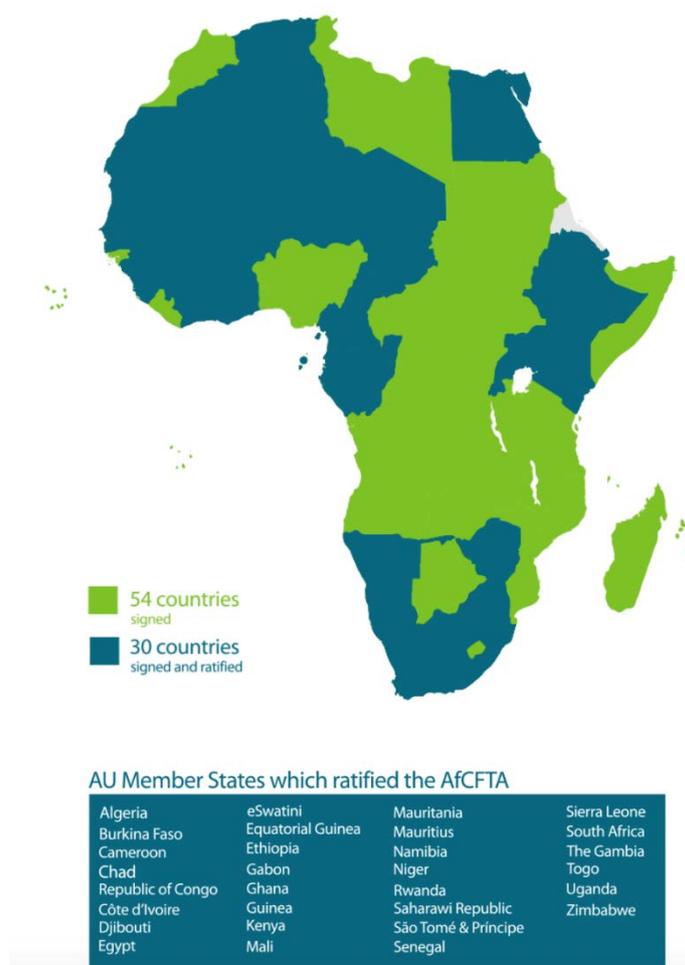
### 3.2 The EU and the African Continental Free Trade Area (AfCFTA)

On 21 March 2018, African economic integration reached a milestone when the African Continental Free Trade Area (AfCFTA) agreement was signed off by 44 of the African Union’s (AU) 55 members. The AfCFTA entered into force in May 2019 and has to date been signed by all African countries (except Eritrea) with 30 having reached the stage of full ratification. It has been agreed that Ghana will hold the AfCFTA’s secretariat, which will develop the working programme and the annual budget. In 2020, Wamkele Mene, South Africa’s Chief Negotiator in the AfCFTA negotiations and former diplomat at the WTO, was appointed Secretary-General.

AfCFTA is one of the African Union’s [flagship projects of Agenda 2063](#) and if fully implemented would put in place one of the largest free trade areas in the world. According to the AU, the AfCFTA aims to ‘significantly accelerate growth of Intra-Africa trade and use trade more effectively as an engine of growth

and sustainable development by doubling intra-Africa trade, strengthening Africa’s common voice and policy space in global trade negotiations’ (African Union, 2018).

**Map of signatories and state of ratification of the AfCFTA (March 2020)**



Source: Africa-EU Partnership ([www.africa-eu-partnership.org](http://www.africa-eu-partnership.org))

For those countries that have already ratified the Agreement, trading under the AfCFTA regime has been scheduled to begin on 1 July 2020, but due to the coronavirus pandemic, will probably be pushed to January 2021. Whenever this new trading regime does start, the AfCFTA will effectively remove 90% of trade tariffs, thereby allowing free access to most goods and services across a significant number of countries throughout the continent. Over a 5 to 10-year period, there will be an additional 7% of liberalisation for ‘sensitive products’ that have not previously been liberalised. A special group of countries, the G6 (Ethiopia, Madagascar, Malawi, Sudan, Zambia and Zimbabwe), have demanded a further 15 years’ extension period, on the grounds that they face specific development challenges.

As with other international institutions, the EU has announced its formal support for the AfCFTA, which is summarised in two EC Communications:

1. On December 2018, former Commission President Juncker presented the Communication on a new Africa-Europe Alliance for Sustainable Investment and Jobs, (the ‘Africa-Europe Alliance’) that confirms ‘full’ support to the AfCFTA, announcing EUR 50 million funding and technical assistance over a large number of areas (such as data collection and analysis, Technical Barriers to Trade, Intellectual Property Rights, investment and e-commerce, among others). Regarding EU trade regimes, this Communication explains that the long-term goal is to create a continent-to-continent free trade agreement. It adds that EPAs, FTAs with North African countries together with other trade

regimes between the EU and Africa countries should be 'building blocks to the benefit of the African Continental Free Trade Area' (EC, 2018).

2. The recent 2020 Communication Towards a comprehensive Strategy with Africa 'welcomes the African Continental Free Trade Agreement' and again promises technical and financial support as top priorities. It also reaffirms the former strategy, outlined in the Africa-Europe Alliance, of a comprehensive continent-to-continent free trade area. Furthermore, it reinforces the idea of EPAs and other EU trade regimes as tools for this goal.

The European Commission states that financial support for the AfCFTA goes through three channels: the Pan-African Programme (that supports negotiations, the establishing of an African Trade Observatory and strategic dialogue on investment climate reforms, among others), the EU Aid for Trade and the EU External Investment Plan. From these three instruments, only the Pan-African Programme is focused exclusively on the AfCFTA, as other channels relate to general trade and investment issues, rather than boosting intra-African trade and investment, as will be explained later.

The High Representative of the African Union with the EU, Carlos Lopes, has expressed his thoughts on the convenience of EPAs not progressing further and that achieving the AfCFTA will force a rethink on the external relations of Africa with the EU. It is clear that EPAs fragment Africa and according to Lopes trade preferences with third countries (in general) cannot build regional value chains and boost intra-African trade. This is evidence that despite the EC's statements about EPAs contributing to regional integration, there is no common understanding on how in practice they feed (positively or negatively) regional and continental integration through the AfCFTA.

### 3.3 EU initiatives for mobilising investments

There is as yet no single EU framework for investment in Africa. However, there are three main institutional initiatives for mobilising such investments: (a) *the Africa-Europe Alliance*, (b) *the external investment plan* and (c) *instruments related to the European Investment Bank*, such as the ACP investing facility and the External Lending mandate:

(a) *The Africa-Europe Alliance*: as already mentioned, this was announced by former President Jean-Claude Juncker on September 2018. It has committed EUR 4.2 billion for the period 2017-2020 in the expectation of leveraging new investments of EUR 41.5 billion (total expected investments in 2020: EUR 44 billion). The financial arm of this Alliance is the EU External Investment Plan.

(b) *The External Investment Plan (EIP)*: was established in 2017, being designed to attract private investments in Africa and the European neighbourhood (North Africa included in this group and other countries such as Georgia, Jordan and Moldova). Its original hope was to attack the 'root causes of migration' and stimulate investment in 'more difficult' countries. It replicates the idea of the 'Juncker Plan' for Europe, with the key issue to be recognised in understanding the EIP being the use of public money to diminish the risk of private investment. The EIP has three dimensions: (i) Financing guarantees through the European Fund for Sustainable Development, (ii) Technical assistance and (iii) Dialogue and communication with the private sector (in Africa, this has been done under the title 'Sustainable Business for Africa (SB4A) Platform' which is focused on improving the investment climate).

(c) *European Investment Bank-related instruments*: such as the ACP Investment Facility provided under the Cotonou Agreement since 2003, or the External Lending mandate to support investments in North Africa and South Africa (plus Asia and Latin America) and in pre-accession countries, which enables the European Investment Bank to increase its lending outside the EU, thereby reducing risk exposure for the EIB by shifting it to the EU.

## 4. Conclusions and recommendations

- The new European Commission is placing EU-African relations to the fore. The Joint Communication towards a comprehensive Strategy with Africa stresses the African Continent's strategic importance and the need to strengthen the EU partnership with (and not for) Africa. There are two possible interpretations of the EU's renewed interest in Africa. Either it is the consequence of China's increasing economic and political influence along with other international actors on the continent and the resulting loss of political and diplomatic ground. Alternatively, it could stem from the EU's ambition to become an influential international actor by means of a stronger and more articulated external policy. No matter which interpretation is correct, the continent has become a crucial arena for competition between states and companies as a source for global demand of natural resources, and for the EU in particular, a key market for critical raw materials supply.

The Parliament shall consider that due to COVID-19 health crisis, the new Africa strategy proposals have fallen off the radar and become obsolete (Laporte,2020). Africa and Europe will be confronted with loss of jobs and economic recession and the list of priorities and actions will need to be revised. It is the time to build something new, and to review priorities based on the need to tackle the social impact of the crisis and the recovery of African economies, focusing on the EU making a useful contribution to this ambition.

- As the EU stresses repeatedly, Europe is still the main trading partner and largest source of foreign direct investment in Africa. According to their current performance in Africa, European companies still maintain an important level of competitiveness, but upward trends of activity from other international actors challenge the EU's economic leadership on the African continent. Competitiveness of an individual firm (usually related to its ability to survive in the market and make profits in the medium terms) is driven not only by internal factors, but also external factors such as the number of competitors and types of competition. In this sense, European companies are facing growing pressure from Chinese competition and as a consequence access to finance, among other issues, becomes a key instrument in maintaining European Companies presence in Africa.

Despite all the Communication's emphasis on investment promotion, it does not include any new investment or financing commitments from the EU. Moreover, apart from COVID\_19 related packages, prospects of additional funding for Africa in the next long-term Budget (2021-2027) are slim. In that sense, the Parliament shall address the gap between strategic consideration of the continent and the financial compromises needs to be fulfilled.

- The EU is the world's most open market for African exporters, but still holds as many as five different trade regimes with African countries. The Joint Communication makes specific promises in regard to developing the African Continental Free Trade Area and regional economic integration. It reinforces the message that EPAs and other trade regimes are tools for a future continent-to-continent free trade area, but EPAs remain controversial for African leaders and have created regional tensions.

The future partnership needs to recognise diverging views on EPAs and find concrete solutions suitable for both parties. Desirably, and as soon as possible, a one and only trade regime, negotiated between the EU and the African Union, should be put in place. This will reassure that the EU is supporting in practice the pan African integration agenda that African leaders are pushing forward with the AfCFTA.

- Whilst it is true that this time on-going discussions with African actors have been announced, it is nevertheless important to remember that the EU has often been accused in the past of setting instruments and timings with limited involvement from African Actors. In this sense, some (but not all) of the EC's proposals are built on an agenda jointly agreed with the African Union in 2017.

In order to pursue an African understanding of common interests and legitimate partnership, effective and visible engagement in the next months with all African actors (including African Think Tanks) must be undertaken before the final EU-Strategy with Africa is adopted.

- Another challenge facing the future EU-Africa Strategy is how the proposed partnerships will be set up institutionally. While the role of the European Commission speaking on behalf of EU members is clear, there are many references to 'Africa', and very few regarding regional organisations and their roles (Byers).

Taking into account the EU commitment to strengthen regional and continental integration, the African Union and RECs' respective roles need to be specific and enlarged in the future Strategy. For example, some voices have called for a Joint Continental Investment Platform, developed by the EU and the AU working together, to construct International financial institutions and jointly design investment programmes (Medinilla and Teevan, 2020).

- Regarding digital transformation, there is a common understanding between the EU and the African Union that it could be a game-changer and an opportunity to boost economic growth and job creation, and that it should be pushed among the top priorities of the agendas. Proposals included in the EC communication are in the line of the recommendations of the Digital Economy Task Force (formed of 20 African and EU decision makers and representatives on international organizations, private sector and civil society) for a New Africa-Europe Digital Economy Partnership.

The European Parliament shall take into account that the digital agenda is a double-edged sword. It can also create more inequalities in poor populations left aside of technology access and become an instrument to control population by undemocratic leadership. The EU-Africa partnership needs to stress and help to develop legal frameworks to avoid these threats.

- The EU's endeavours to go climate-neutral by 2050, as part of the Green Deal Strategy, will have an impact on all EU trading partners in general and Africa in particular. Firstly, if fully advanced Europe will import less oil and gas from African countries. Secondly, European Green Deal related legislation could also directly affect African exports to the EU. As pointed out by [Oxfam](#), some legal initiatives such as the Carbon Border Adjustment Mechanism (that could burden African exports) should be carefully considered, to respect the 'do no harm' principle.

In light of the above, the new African Strategy needs to address these concerns related to Green Deal legislation and impact assessments with African counterparts would be desirable for a stronger partnership.

- Finally, as the COVID-19 takes hold in Africa, it is becoming more certain that Africa will be hit not only by the spill-over effect on global economic growth, but also as a consequence of the temporal breakdown of trade and investment with the EU and China. It is feasible that more resources to tackle the pandemic's consequences will be demanded in the context of EU-Africa negotiations towards the new strategy. It could also be that EU support will be solicited as a result of emerging calls from African leaders, for example to alleviate debt burden, by means of global action and solidarity.

It is becoming more urgent for EU and African relations post COVID-19 to be tailored to a new scenario and show tangible action along with partnership rhetoric.

## Bibliography

- African Union, [Agreement Establishing the African Continental Free Trade Area](#), Addis Ababa, 2018.
- African Union, [Africa Joint Continental Strategy for COVID-19 Outbreak](#), Addis Ababa, 2020.
- Ahmed, A., *What African economies need to survive the Coronavirus*, Bloomberg, 2020.
- Byers, B., *The EU and Africa: should, would, could... but how?*, ECDPM, Brussels, 2020.
- European Commission, *Communication from the Commission to the European Parliament, the European Council and the Council on a new Africa-Europe Alliance for Sustainable Investment and Jobs: Taking our partnership for investment and jobs to the next level*, Brussels, 2018.
- European Commission, *Joint Communication to the European Parliament and the Council towards a comprehensive Strategy with Africa*, Brussels, 2020a.
- European Commission, *Overview of FTA and other trade negotiations*, Brussels, 2020b.
- European Commission, [EPAs state of play](#), Brussels, 2020c.
- EUROSTAT, *Africa–EU international trade in good statistics. Eurostat Statistics Explained*, 2020.
- Ernst & Young (EY), [Africa Attractiveness Report](#), 2019.
- Escribano, G., *The shrinking Euro-Mediterranean policy space*, Elcano Royal Institute, Madrid, 2017.
- Laporte, G., *Europe-Africa relations after Corona*, European Think Tanks Group (ETTG)-ECDPM, Brussels, 2020.
- Medinilla, A. and Teevan C., *Beyond good intentions: the new EU-Africa partnership*, ECDPM, Brussels, 2020.
- Mold, A. *Impact Assessment of COVID-19. The case of Eastern Africa*. United Nations Economic Commission for Africa, Addis Ababa, 2020
- Lopes, C., *Give Africa Policy Space for Structural Transformation*, ICTSD, 2017.
- United Nations Conference on Trade and Development (UNCTAD), [Foreign direct investment to Africa defies global slump, rises 11 %](#), 2019, Geneva.
- United Nations Economic Commission for Africa (UNECA), *Assessing regional integration in Africa, ARIA IX. Next steps for the Continental Free Trade Area*, UNECA, Addis Ababa, 2019.
- United Nations Economic Commission for Africa (UNECA), *Trade Policies for Africa to Tackle COVID-19*, African Trade Policy Centre, UNECA, Addis Ababa, 2020a.
- United Nations Economic Commission for Africa (UNECA), *Economic Effects of the COVID-19 on Central Africa*, Addis Ababa, 2020b.
- United Nations Economic Commission for Africa (UNECA), [Report on African Ministers of Finance Meeting: Emergency Request to the international Community on COVID-19 Response](#), UNECA, Addis Ababa, 22<sup>th</sup> March, 2020.
- Zamfir, I. [An overview of the EU-ACP countries' economic partnership agreements](#), European Parliament, briefing EPRS, PE 625.102, Brussels, 2018.

---

PE 603.509  
EP/EXPO/AFET/FWC/2019-01/Lot3/1/C/04-03

Print ISBN 978-92-846-6834-2 | doi: 10.2861/935540 | QA-02-20-458-EN-C  
PDF ISBN 978-92-846-6835-9 | doi: 10.2861/19396 | QA-02-20-458-EN-N