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ECONOMIC RELATIONS BETWEEN THE EUROPEAN UNION AND SUB-SAHARAN AFRICA

Abstract

The changes which have been taking place in the European Communities/European Union and on the African continent make it necessary to search for new principles and forms of legal and political relations between the EC/EU and Africa. The EU's international activities towards Sub-Saharan Africa are driven by underlying political and economic interests, common to member states of the EU, which are often parallel to the colonial past of many of those countries. These activities also confirm the role of integrated Europe as a global actor of international relations. Since the first decade of the 21st century, African countries have been experiencing a stable and systematic economic growth. Despite many unsolved development problems, Africa is becoming an attractive partner in global economy, especially the Sub-Saharan part. This dynamism of the African economy determines the trade relations with the EU as well. Further in this article, we will discuss the economic cooperation between the regions as well as the legal and institutional framework regulating the relations between them.

Keywords: Sub-Saharan Africa, the European Union, economic growth, emerging markets, trade relations

Introduction

In the early 21st century, Africa is undergoing a considerable and deep economic transformation. In the last decade, the African continent achieved a highly dynamic economic growth, with economic growth rate twice as high as in developed countries. Studies show that in the coming years, global economic growth will be increasingly

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generated by emerging economies and developing countries. Forecasts highlight their advantageous demographic structure, processes of urbanisation and industrialisation, the right use of technological progress and growth of human capital, all of which should ensure further dynamic growth. This is, of course, also true of Africa, especially its Sub-Saharan part. Next to China and the countries of the Asia-Pacific region, as well as the traditional emerging markets such as Brazil and India, most countries of Sub-Saharan Africa should now also be counted among countries experiencing constant and systematic growth. Although Africa is a region plagued by poverty and other threats (e.g. terrorism, conflicts and wars), it is also a region of huge potential and bright economic prospects, as confirmed by the analyses, studies and recommendations of international financial institutions and global consulting firms.

The early 21st century brought an essential redefinition of the EU's relations with African countries, as evidenced by the conclusion of a strategic partnership between the two regions. Apart from that, the European Union signed free trade agreements (albeit limited to certain narrow issues) with some African countries: with the countries of North Africa under Euro-Mediterranean Association Agreements and with the countries of Sub-Saharan Africa under Economic Partnership Agreements (EPA). Furthermore, there is increasing trade between the EU and Africa, as well as increasing European foreign trade investments in this part of the world. It seems that this trend will keep increasing, which is connected with the structural changes in the economic international order in 2008.

The relations of both the European Community and the European Union with the Sub-Saharan countries[1] have undergone an evolution over the years. Further in this article, we will discuss the economic cooperation between the regions as well as the legal and institutional framework regulating the relations between them.

1. Institutionalisation Process – from the Treaty of Rome to the Cotonou Agreement and EU–Africa Summits

The earliest institutional relations between the European Community and a group of Sub-Saharan African states were established already in the Treaty of Rome in 1957. The provisions of Articles 131–136 of the Treaty stipulated for the association of overseas countries and territories with the Community. After most colonial countries

[1] By Sub-Saharan African states we mean the 49 African states. North African countries include: Algeria, Egypt, Libya, Morocco, and Tunisia.

gained independence, the European Community's relations with the countries of Sub-Saharan Africa were transformed into contractual relations, as manifested by the Yaoundé Conventions of 1963 and 1969[2] (Zajączkowski 2005; Council of the European Union 1969), followed by the Lomé I (1975), Lomé II (1979), Lomé III (1984) and Lomé IV (1989) Conventions. Apart from Sub-Saharan African states, signatories of the Lomé Conventions also included some Caribbean and Pacific countries, so that all of them began to be regarded as a uniform group – the African, Caribbean and Pacific Group of States[3].

As a result of changes occurring in the international balance of power, the gradual decline of the bipolar world order and deep transformations in international economic relations, since the mid-1990s efforts have been undertaken to redefine the model of relations between the EU and the ACP countries. Following 18 months of negotiation, on 23rd June 2000 the Partnership Agreement between 77 members of the African, Caribbean and Pacific Group of States[4] (Africa–EU Partnership.org 2013; European Commission 2000) and the European Community and its Member States was signed in Cotonou (Benin) (Official Jurnal 317/2000; Martenczuk 2000). It was concluded for 20 years – from March 2000 to February 2020[5]. The Agreement entered into force on 1st April 2003, after the process of ratification. It was revised in 2005 in Luxembourg and in 2010 in Ouagadougou[6].

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[2] The Yaoundé conventions (of 1963 and 1969) were concluded with eighteen African countries (including Madagascar). That group of countries has been called the Association of African and Malagasy States (AAMS).

[3] The African, Caribbean and Pacific Group of States was formed in 1975 under the so-called Georgetown Agreement. The document was signed by representatives of 46 countries. At present (as of 30 July 2013) the ACP Group consist of 79 States (48 countries from Sub-Saharan Africa, 16 from the Caribbean and 15 from the Pacific). The 80th member will be the Republic of South Sudan – for the time being, South Sudan has been granted observer status in the ACP Group of States since 20 November 2012. It should also be mentioned that despite having many things in common, the ACP countries have never formed a monolith.

[4] Cuba is not a signatory of the ACP–EC Partnership Agreement. Somalia has signed the Partnership but has not ratified it. Since the signing of the Partnership Agreement, the group of signatories has expanded. Timor-Leste became an ACP Member State in 2003, shortly after its independence, and ratified the ACP–EC Partnership Agreement on 19 December 2005. Somalia's political transformation has influenced the decision of the country as regards the EU. On February 2013, Somalia presented a request for accession in accordance with Article 94 of the ACP–EC Partnership Agreement and a request for observer status enabling it to participate in the joint institutions set up by that Agreement, until the accession procedure is completed. The ACP–EU Council of Ministers approved this request in Brussels in June 2013. The Republic of South Sudan made the same request a bit earlier, on 20 March 2012. It was approved by the ACP–EU Council of Ministers in Vanuatu in June 2012. South Sudan has been granted observer status in the Partnership since 20 November 2012.

[5] The Agreement came into force before the actual date of signing – on 1 March 2000. The retroactive date was set in order to ensure continuity with the previous agreements (Article 95 of the Cotonou Agreement).

[6] The Agreements (Article 95) provide for the option of revision every five years.

The Cotonou Agreement focuses upon three areas: economic, development and political. In line with the basic arrangement, its objective is to reduce poverty and to ensure social and economic development of the ACP countries.

The EU showed its deep interest in cooperation with Africa by the first Africa-Europe (EU) Summit held in Cairo on 3–4th April 2000. It was agreed there that the two groups of countries would build a global dialogue based on strategic and interregional partnership consisting of many dimensions of mutual relations (European Commission 2000). The second Africa–EU Summit took place in December 2007 in Lisbon and included the establishment of the Strategic Partnership and the adoption of the Joint Africa–EU Strategy (JAES). The JAES defines eight specific areas of cooperation: 1. Peace and Security; 2. Democratic Governance and Human Rights; 3. Trade, Regional Integration and Infrastructure; 4. Millennium Development Goals (MDGs); 5. Energy; 6. Climate Change and Environment; 7. Migration, Mobility and Employment; 8. Science, Information Society and Space. The third Africa–EU Summit was held in November 2010 in Tripoli. The leaders renewed their commitments, calling for reinforced cooperation in the eight priority areas and the setting up of support mechanisms to facilitate the process (European Commission 2013b). The implementation of the JAES and its thematic partnerships has been pursued through two successive action plans (2008–2010 and 2011–2013). In April 2014, the 4th EU-Africa Summit took place under the theme "Investing in People, Prosperity and Peace". The Summit agreed that the implementation of the Joint Strategy during 2014–2017 should focus on five priority areas: Peace and Security; Democracy, Good Governance and Human Rights; Human Development; Sustainable and Inclusive Developmental Growth and Continental Integration; Global and Emerging Issues. These five priority areas replace the eight thematic partnerships.

2. Countries of Sub-Saharan Africa as Emerging Markets

Since the first decade of the 21st century, African countries have been experiencing a stable and systematic economic growth (the average growth in 2002–2008 was 5.6%) (AfDB et al. 2011). Despite many unsolved development problems, Africa is becoming an attractive partner in global economy, especially the sub-Saharan part – according to the IMF, the average growth in this part of the world in 2004–2008 was 6.4% (IMF 2013a); after a decline to 2.8% in 2009, the region has again been showing high economic growth. The sub-Saharan region's economic outlook shows its healthy resilience to internal (Arab Spring) and external (global economic crisis) shocks and its role as a growth pole in global economy (AfDB et al. 2012). The growing importance of Africa in international economic relations is confirmed by data and analyses of the World Bank, the IMF, annual reports of the African Economic Outlook and the UN Economic Commission for Africa (UNECA) and the Ernst&Young report (Ernst&Young 2013, 2014).

Since the first decade of the 21st century, African countries have been experiencing constant and systematic economic growth; between 2000 and 2014 it was more than 5% on average (AfDB et al. 2013, 2014, 2015).

It should also be noted that compared to other developing regions or regions undergoing transformation, Africa has higher economic growth than Latin America and Southeast Asia (United Nations Economic Commission for Africa 2015; AfDB et al. 2014; AfDB et al. 2015).

According to the African Economic Outlook, the economic growth in Africa in 2014 was 3.9% – 5.2% for Sub-Saharan Africa and as much as 1.7% for the northern part of the continent. The report also predicts that Africa's economy will grow by 4.5% in 2015 and accelerate further to 5.0% in 2016. For Sub-Saharan Africa, the following figures are expected: in 2015 – 4.6%, in 2016 – 5.4%. For North Africa[7]: in 2015 – 4.5 %, in 2016 – 4.4 % (AfDB et al. 2013)[8].

The leading regions of Africa in terms of economic growth are its western and eastern parts. According to an AEO report of 2012, they recorded a 6% and 7.1% growth respectively. In the coming years, this tendency is expected to continue. It is predicted, however, that in 2015 both regions will experience a slight decrease in growth. In the case of West Africa, the main reason for this are the consequences of the Ebola epidemic that broke out at the turn of 2014 and 2015 (AfDB 2015; United Nations Economic Commission for Africa 2015)[9].

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[7] In the statistical data quoted in the African Economic Outlook, North Africa is considered to consist of: Algeria, Egypt, Libya, Mauritania, Morocco, and Tunisia. The reports of 2012 and 2013 take into account 53 out of 54 African countries, excluding Somalia. Since 2014, reports include all 54 African countries.

[8] The data is based on the assumption that the situation in North Africa will stabilise. According to the AEO of 2013: "Two years after the revolutions in Tunisia, Egypt and Libya, political stability in the region remains elusive and social tensions linger on", which is proved, for example, by the events of June/July 2013 in Egypt.

[9] The Ebola epidemic hotbeds were three countries of West Africa (Liberia, Sierra Leone and Guinea) and by March 2015 the virus caused some 10 thousands deaths and 25 thousands infections. It also caused shrinking of the three countries' economies – in total by approx. 1.4 billion USD GDP PPP. It is estimated that only in 2016 will these three economies fully enter the path of growth. At the same time, the outbreak of the Ebola epidemic had only a rather minor effect on the entire subregion of West Africa. The reason for this is that in 2013 the said three countries accounted only for some 2.4% of West Africa's GDP and 0.7% of the GDP of the entire continent.

The rather high level of economic growth, especially in the sub-Saharan part, prevailing despite falling oil prices (United Nations Economic Commission for Africa 2015)[10] and a fairly unstable financial situation in the euro zone (for most African economies being one of the key economic partners), is determined primarily by internal demand, including private consumption and public infrastructure investments as well as the ever-closer trade ties between Africa and the emerging markets.

The consumer market of Sub-Saharan countries is increasing two to three times faster than in OECD countries, and its value is estimated at 1 trillion USD. The African middle class is predicted to increase to 1.1 billion people by 2060, which is approximately 50% of the continent's population (United Nations Economic Commission for Africa 2015; AfDB et al. 2012). By that time, people living below the poverty threshold will be a minority (33%). The number of young inhabitants of cities is increasing as well. Economists believe that demography is one of the keys to Africa's economic success. Educated young people are the continent's driving force. To investors, they are a huge sales market, but also a workforce (United Nations Economic Commission for Africa 2015)[11]. Cities are also starting to play an increasingly important role in the entire economy. It is estimated that by 2030 the 18 largest cities of the continent will reach 1.3 billion USD in cumulative spending power and that the number of cities above 3 million inhabitants will increase from 16 in 2012 to 34, becoming thriving urban agglomerations (Ernst&Young 2014).

Analyses of the World Bank point out that many among the world's economies that have most improved the conditions for business are countries of Sub-Saharan Africa; in its latest report, the World Bank commends such countries as: Benin, Ivory Coast, the DRC, Senegal, and Togo (AfDB et al. 2015).

Africa's dynamic development is confirmed by its systematic advance in Ernst&Young reports, primarily due to the economic results of Sub-Saharan Africa; in the last report, for 2014, the institution's readers and analysts awarded this region the second place in the most attractive market category, right after North America (Ernst&Young 2014).

[10] The UNECA report notes that while a decrease in oil prices could affect the income from foreign trade of oil-exporting countries, it has only a small impact on the GDP of Africa. The GDP of African exporters decreased by 0.17% following the first drop in oil prices in 2008 and by approximately 0.15% following the drop of 2014/2015. The minimum security level for African oil exporters is 33.75 USD per barrel.

[11] The UNECA report observes that urbanisation and dynamic demographic changes constitute both a challenge and a huge opportunity for the continent. It emphasises that African governments should take advantage of, among others, the increase in labour costs in China and throughout Asia, as well as actively encourage investments in Africa. By 2100, Africa's population in working age will rise to more than 2 billion and will constitute 41% of total global working age population (in 2010 it was 12.6%).

In the early 2010s, the African market is characterised by considerable growth of FDI and foreign trade. These factors also affect the economic growth in Africa and the continent's development.

In the last 15 years, Africa's global trade has increased. According to the UNCTAD report, lately "African merchandise trade has been rising faster than those of the developed and developing economies". The level of African merchandise trade (exports and imports) with the world rose from 251 billion USD in 1996 to 1.151 billion USD in 2011. In 2011, exports and imports for Africa totalled 582 billion USD and 569 billion USD respectively (UNCTAD 2013a). In 2012, African exports were growing at a rate of 6.1%, which was the highest growth rate on the global scale (at the same time, North America had 4.5% and Asia 2.8%). The value of African exports in 2012 was 626 billion USD, while the value of imports – 604 billion USD. In 2013, however, African exports dropped by 5.8 % to 602 billion USD, and imports grew slightly (by 2.2%) to 628 billion USD (AfDB et al. 2014; AfDB et al. 2015).

Despite its fast growth in merchandise trade, Africa accounts for only about 3% of world trade. However, economists highlight the dynamics of trade and Africa's significant potential in this respect (for example, the dynamically developing middle class) (AfDB et al. 2012; United Nations Economic Commission for Africa 2013).

African exports are mainly dominated by fuels (oil) and raw materials (ores, precious metals, precious stones, etc.), which account for some 75% of total exports. In 2012, the value of oil exports was 330 billion USD. Processed goods account for approximately 13% of exports. The leading exporters are Nigeria and South Africa, the latter being also the leading importer (AfDB 2015).

Moreover, Africa experiences a considerable FDI growth. In 2001, FDI in Africa amounted to 20 billion USD in current prices and in 2008 it reached the record value of 57.8 billion USD. After the temporary decrease in FDI caused by the global crisis, there was again an increase and FDI reached 55 billion USD in 2012, 56 billion USD in 2013 (World Investment Report 2013, 2014)[12] and 55 billion USD in 2014. Although Africa enjoys only around 3.7% of all global FDI inflows, the annual UNCTAD report of 2013 calls Africa "a bright spot for FDI" (UNCTAD 2013c). The sub-Saharan region is particularly attractive to investors. The FDI inflows to Sub-Saharan Africa increased from around 27 billion USD in 2007 to 42.5 billion USD in 2014 (UNCTAD 2013c)[13]. It is worth stressing that not so long ago, in 2006, over 50% of all FDI inflows to Africa

[12] In 2013, the top recipients of FDI (FDI inflows) in Africa were: South Africa (more than 8 billion USD), Mozambique (approx. 6 billion USD; Nigeria and Egypt (approx. 5.5 billion USD), Morocco (more than 3 billion USD). The top investors (FDI outflows) from Africa in 2013 were: South Africa (approx. 5.5 billion USD); Angola (2 billion USD), Nigeria (1.3 billion USD).

[13] The WIR defines North Africa as: Algeria, Egypt, Libya, Morocco, Sudan, and Tunisia.

went to North Africa, and since 2007 a gradual change of the trend to Sub-Saharan Africa has been observed. According to the authors of the report titled *Africa-Europe on the Global Chessboard: The New Opening*: "Sub-Saharan Africa now offers the greatest overall investment potential of all frontier markets, beating East and South Asia, Eastern Europe, and Latin America" (CEED 2013).

In the recent years, Africa – especially its sub-Saharan part – has been experiencing a significant economic success in the form of constant and systematic economic growth, growing foreign trade and increasing interest of foreign investors in this part of the world. At the same time, we need to note the challenges and threats faced by the African economy, both the local (internal) and the global ones. The local ones include: the lack of stability in the Sahel and the Horn of Africa and its consequences, including the rise of international terrorism and the wave of illegal migration on the continent; development disparities, as well as social policy weaknesses and insufficient regional integration in Africa, both in political and economic terms (the share of intra-African trade goes only up to 13% of total African foreign trade). Global challenges, in turn, include the possible further decrease in fuel prices in the world markets, the global economic slowdown (it is estimated that the economic growth of the G20 countries between 2010 and 2060 will amount to 2.7%, compared to 3.4% between 1996 and 2010) (AfDB et al. 2015), in particular the uncertain macroeconomic situation in the euro zone, as well as the possible too rapid and greater-than-expected economic slowdown in China – which could result in a decrease in Beijing's imports of African oil and other raw materials – and in other emerging markets (*Africa's Pulse* 2015; Baffes et al. 2015).

3. European Union–Africa Economic Relations

This dynamism of the African economy determines the trade relations with the EU as well. From 2004, the value of the EU's trade in goods with Africa rose substantially, but the economic crisis abruptly ended this trend. Since 2010, we have been again observing an increase in trade. In 2011, it reached the record value of 287.8 billion EUR (Eurostat 2014). Estimations for 2012 indicate another record in mutual trade –336 billion EUR [14]. To illustrate the difference, in 2000 the trade volume was 151.4 billion EUR, and in the peak period before the 2008 crisis –280.5 billion EUR (Eurostat 2010, 2014).

[14] Eurostat defines North African countries as: Algeria, Egypt, Libya, Morocco, and Tunisia.

In 2013 and 2014, there was a slight decrease in mutual trade exchange. Its value was 320.9 billion EUR and 310.6 billion EUR respectively (European Commission 2015). The reason for this was the decrease in value of EU imports from Africa, mainly caused by dropping oil prices in the world markets and the still fairly unstable situation in North Africa. At the same time – and this needs to be stressed – there is no such tendency in EU exports to Africa; in the last two years (2013 and 2014) its value was growing. In the long run, all this could lead to a change in the trade balance in mutual relations. It seems that the demand for African goods in the EU countries will be decreasing, while African imports of end products (industrial goods) from the EU will be increasing – which is connected with the dynamic development of the market and the growing needs of African consumers. In 2008, the EU's deficit in trade with Africa was more than 40 billion EUR, but in 2013 it was only 15 billion EUR and in 2014 approximately 1.4 billion EUR.

The five countries of North Africa as well as Nigeria and South Africa are the key African partners to the European Union, and they account for approximately 75% of the EU's entire trade with Africa. This trend is a lasting one, as confirmed by data for 2000 as well as for 2013 and 2014. For example, in 2013 this group of states accounted for approximately 235 billion EUR out of the 321 billion EUR of the total trade with the EU, and in 2014 it was 227 billion EUR out of 310 billion EUR (European Commission 2015a).

In 2013, the main directions of EU exports to Africa were: South Africa (24.5 billion EUR; 16% of total EU exports to Africa), Algeria (22.3 billion EUR; 15%), Morocco (17.3 billion EUR; 11%), Egypt (15 billion EUR; 10%), Nigeria (11.7 billion EUR; 8%), and Tunisia (11.1 billion EUR; 7%). As regards imports from Africa, in turn, the EU's main partners in 2013 were: Algeria (32 billion EUR; 19% of total imports from Africa), Nigeria (28.6 billion EUR; 17%), Libya (23 billion EUR; 14%), South Africa (15.5 billion EUR; 9%), and Morocco (10 billion EUR; 6%) (Eurostat 2014), and the data for 2014 is only slightly different. The said countries are dominant in the EU's policy towards Africa in terms of both exports and imports, and their position has not been experiencing any greater changes throughout the years.

The situation with the EU's activity in Africa is quite similar. The majority of trade with Africa is done by only a small number of EU Member States: France, Italy, Germany, Spain, the Netherlands, the UK, and Belgium. In 2013, the top exporters to Africa were: France (27.8 billion EUR; 18% of total exports), Germany (22 billion EUR; 14%), Italy (20.4 billion EUR; 13%), and Spain (16.4 billion EUR; 11%). The top importers, in turn, were Spain (28 billion EUR; 17% of total imports), Italy (27 billion EUR; 16%), France (26 billion EUR; 16%), the United Kingdom (21.6 billion EUR; 13%), and Germany (20.5 billion EUR; 12%) (Eurostat 2014).

End products (industrial goods) account for approximately 70% of the goods exported by the EU Member States to Africa, while fuels constitute more than 64% of goods imported from Africa.

In 2014, the EU28 imported 94 billion USD worth of crude oil from Africa, accounting for 45% of the group's total imports from the continent. EU28 imports of other mineral fuels (such as gas) amounted to 27 billion USD last year, with imports of gold (4.9 billion USD), diamonds (4.6 billion USD) and platinum (1.9 billion USD) together accounting for just under 20% of total imports. Adding total ore (copper, manganese, titanium, etc.) imports of 4 billion USD, as well as copper (2.1 billion USD) and aluminium (2.3 billion USD), the total share of commodities in African exports to Europe in 2014 lifts to 70% (Freemantle 2015).

The commodity structure remains a lasting one and it is unlikely to undergo any significant changes in the near future.

Africa accounts for approximately 9% of the EU's total external trade in goods. Despite considerable dynamism of mutual trade, the share of African countries in the EU's external trade remains steady. In the regional perspective, Africa is the EU's fourth partner – after Asia, Europe (non-EU) and North America.

African countries also influence the economic relations between the EU and the ACP countries. In 2012, the volume of trade with the ACP reached 185.84 billion EUR, of which approximately 173 billion EUR (ca. 90%) was generated by the African members of the ACP. The top ten ACP trading partners are African countries. South Africa, Nigeria and, to a lesser extent, Angola account for more than 60% of the total EU-27 trade in goods with the ACP countries (Eurostat 2011). Due to the essentially African character of the ACP group, the trade structure of the EU–ACP exchange is identical to the trade structure of Africa in general. However, we should also stress the increased role and importance of the United Kingdom. It has the highest share in trade with the ACP (in particular with North Africa) among the EU members, next to France and Germany (Eurostat 2012).

In the relations between the EU and Africa, the trade in services plays a considerably lesser role than the trade in goods. Sub-Saharan Africa accounts for approximately 4.3%, while North Africa for 2.5% in the EU's service transactions with the rest of the world. In total, the entire continent accounts for 3.2%, and this tendency has been remaining constant for the last several years.

The European Union with its Member States remains one of the main FDI providers to Africa. The EU was especially active in this field between 2007 and 2010, when average inflow of European FDI was approximately 20 billion EUR. The years 2011 and 2012, in turn, saw a huge decrease of FDI, which was related to the events in the Mediterranean Basin and the socio-economic problems in South Africa (the main recipient of the EU's FDI). They amounted to, respectively: 14 billion EUR (North Africa 7.7 billion EUR; Sub-Saharan Africa 6.3 billion EUR) and 11 billion EUR (6.26 billion EUR; 4.75 billion EUR) (Eurostat 2015a). It seems, however, that in the coming years the inflow of FDI from the EU will increase. In 2012, the top investors in Africa in the context of FDI inflow were, according to Eurostat and OECD data: the United Kingdom (5.8 billion EUR/ca. 7.4 billion USD), the United States (2.8 billion EUR/3.7 billion USD), Italy (2.7 billion EUR/3.6 billion USD), France (3.5 billion EUR), Luxembourg (1.2 billion EUR), the Netherlands (1.1 billion EUR) (*African Economic Outlook* 2014; OECD 2014a). In 2012, the top recipients of European investments were: South Africa (2.9 billion EUR), Egypt (2.8 billion EUR), Nigeria (0.9 billion EUR), and Morocco (0.8 billion EUR) (Eurostat 2015a). It is worth noting that there was a considerable growth of capital imports from Africa, from 4 billion EUR to 18 billion EUR, of which Sub-Saharan Africa accounted for 16.5 billion EUR.

As regards the total outward stocks, two regularities need to be pointed out. First of all, the EU maintains a rather stable position in this regard, and the value of its FDI outward stocks is on average more than 200 billion EUR, with the record level in 2012 –220.8 billion EUR, of which the UK and France accounted for 45.7 and 45.3 billion EUR respectively, and the United States for 46.5 billion EUR. In Africa, the main destinations for outward stocks of EU-28 FDI are South Africa (55.9 billion EUR), followed by Egypt (30.8), Nigeria (26.7) and Morocco (15.7 billion EUR). Sub-Saharan Africa accounted for 155.5 billion EUR, and Northern Africa for 65.2 billion EUR (Eurostat 2015b; Eurostat 2014).

Eurostat and OECD data for several years shows a clear domination of the United Kingdom and France in EU FDI (AfDB et al. 2014; Eurostat 2013). European coufntries have also a prominent position in statistical figures taking into account the number of projects or the value of the so called greenfield investments.

According to Ernst&Young data, between 2004 and 2013, the US was the largest investor in Africa, with 768 FDI projects (12.2% of the total). The UK was in the second place. In 2012, British and American companies tied in first position, with the UK taking the lead in 2013. The British entered into High-Level Prosperity Partnerships (HLPP) in November 2013 with five African countries – Angola, Côte d'Ivoire, Ghana, Mozambique and Tanzania. The UK has also been supporting infrastructure projects in Africa. France has always been a key investor in Africa. It was the third-most active investor by projects between 2004 and 2013, with 584 projects. However, since 2010, France's share has declined, as a result of political upheaval across North Africa – Morocco, Tunisia, Algeria and Egypt are its primary investment destinations. In December 2013, the French President announced a target to double trade with Africa by 2018, in a bid to win back France's share of African trade (Ernst&Young 2014).

In 2013 and 2014, the top investor in Africa in terms of the value of greenfield investments were the UAE (45.6 billion USD), France (21 billion USD), the United States (10.7 billion USD), Greece (10 billion USD), the United Kingdom (6.9 billion USD), and Belgium (5.2 billion USD). In 2003–2008 and 2009–2014, the European Union executed the largest number of greenfield investment projects – 44 and 41% of all projects respectively (AfDB et al. 2015).

4. The European Union and Emerging Markets in Africa

The EU is already Africa's biggest trading partner, accounting for about 35% of imports and exports (in goods). The United States was overtaken by China in 2009 as Africa's major trading partner, both these countries, however, remain behind the level of trade volumes with the EU total. If we count only the sub-Saharan countries, Europe's share in their trade is around 25% on average (China – 14%, US – 12%) (CEED 2013).

At the same time, we should emphasise the increasing diversification of African trade. Back in the 1960s and for a long time afterwards, the Community's share was 2/3, but today the role of China and countries of the South is growing. One of the reports has a very convincing and much-telling chapter title: "Europe is taking a nap, while others are waking up" (CEED 2013). On the other hand, according to the OECD, the members of this organisation still dominate African trade and continue growing, although less rapidly than the other emerging partners. Africa's trade volumes with its emerging partners have doubled in nominal value over the decade. According to the AEO of 2013, 'The emerging economies are steadily eating into the lion's share of the African export market held by Europe and the United States' (AfDB et al. 2013). The emerging economies took 8% of Africa's exports in 2000. This had mushroomed to 22% in 2011. The European Union and the United States saw their share of Africa's exports fall – from 47% in 2000 to 33% in 2011 in the case of Europe and from 17% to 10% for the United States. China increased its share of African exports from 3.2% in 2000 to 13% in 2011; India from 2.8 to 6%; Brazil from 2 to 3% (AfDB et al. 2013). The EU's share in Africa's imports in 2011 was around 34%, as compared to around 42% in 2001. The American share remains at around 8–10%. Imports from China rose three-fold from 3 to 10% and that from India doubled from 1 to 2% (UNECA 2012; United Nations Economic Commission for Africa 2013). Africa's bilateral trade with China almost doubled over the last years, from 91 billion USD in 2009 to 166 billion USD in 2011. In 2014, China's trade with Africa hit 222 billion USD.

In 2014, three out of Africa's ten top trade partners were countries of the South (emerging markets) – China, India, South Africa (in 2001, it was only China, which was at the 7th position at that time). In the broader perspective, the value of Africa's trade exchange with its 20 top trade partners in 2014 was approximately 940 billion USD, half of which, approximately 465 billion USD, was with the emerging markets (in 2001, this ratio was 175 billion USD to 45 billion USD, with the balance tilted in favour of the West). Of this, as much as 376 billion USD was the value of the trade exchange between Africa and the BRICS group (Freemantle 2015).

The extent of changes in Africa's global trade map is evidenced by the fact that in 2001, the top three key trade partners were: France, the United States, the United Kingdom; in 2014: China, India, the United States. Apart from China and India that experience a considerable increase in trade exchange, we should also note the dynamism of trade exchange with other emerging markets; this is especially true of South Korea, the United Arab Emirates and Turkey.

Comparing the commodity structure of African exports to China and to the EU, we need to point out certain regularities. Exports to Europe are more diversified. Although mineral fuels (including oil and natural gas) and raw materials constitute more than 70%, the African offer for the European market also includes food as well as industrial products and machinery. Exports to China are dominated in more than 90% by oil as well as metals and mineral raw materials (and in 1990 China was not yet importing oil from Africa).

In terms of foreign direct investment (FDI), the European Union and the United States still dominate FDI to African countries, accounting for about 60% of FDI flows – 41% and over 20% respectively. However, the share of non-OECD countries has risen. In this context, the BRICS countries are becoming significant investors in Africa – in 2010 the share of BRICS in FDI inward stock to Africa reached 14% and their share in inflows reached 25%. As the UNCTAD special report puts it: "This trend is likely to be reinforced in the future" (UNCTAD 2013b). In 2011, four of the BRICS countries – South Africa, China, India, and the Russian Federation – have grown to rank among the top investing countries in Africa on FDI stock and flows. The share of BRICS countries in the total FDI value in Africa increased from 8% in 2009 to 12% in 2012, going up to 67.7 billion USD. China is particularly active among the BRICS countries, accounting for 1/3 of BRICS FDI in Africa; in 2012 Chinese FDI inflows to Africa reached over 2.5 billion USD (in 2011 it was 3.2 billion USD) (UNCTAD 2013b; Yuanyuan 2012; AfDB et al. 2015). For comparison, in 2005 the value of Chinese investment inflows was 392 million USD. If we exclude the OECD countries, China is presently the top investor in Africa. Chinese investment stock in Africa increased from 500 million USD in 2003 to 22.9 billion USD in 2012 (Hanauer, Morris 2014; Johnston, Cheng Yuan 2014)[15].

To sum up, Africa's economic map is now more divided and diverse than it was 10 years ago. Next to Africa's traditional partners – primarily the former colonial powers: France and the United Kingdom, but also the other Western European countries and the United States – an increasingly stronger group of countries involved in economic relations with Africa are developing countries/emerging markets, among whom the most active player in the African arena is China.

5. Economic Partnership Agreements (EPAs)

The Cotonou Agreement provides for Economic Partnership Agreements (EPAs) that will set up an entirely new framework for trade and investment flows between the EU and the contracting ACP states. They were essentially meant to be free trade agreements, in accordance with the aims of the EU, helping developing countries fully integrate with the global economy. The EPAs negotiations were commenced in Brussels in September 2002.

The first phase included problems and issues characteristic of the entire ACP group. The second one concerned issues specific for the individual regional groups within the ACP. The ACP EPA group divided themselves into seven regions: five in Africa, one in the Caribbean (CARIFORUM group) and one in the Pacific. The African ones are: Eastern African Community (EAC)[16], Eastern and Southern Africa (ESA), West Africa, Central Africa, Southern African Development Community (SADC).

Under the Cotonou Agreement, the ACP states which would fail to negotiate an EPA by 2007 would lose the preferences given to them by the Lomé conventions and would only remain the beneficiaries of the GSP system (European Commission 2015b)[17]. Only fifteen Caribbean countries which are parties to the ACP–EC Cotonou Partnership Agreement (Cuba is not a party to the Agreement) signed a comprehensive EU–CARIFORUM Economic Partnership Agreement. They concluded the EPA in

[15] Chinese investments in Africa are dominated by the mining industry (more than 30% of all Chinese investments). The role of other sectors is growing, however – e.g. in 2012 more than 17% of Chinese investments in Africa went into the financial sector and 16% to industry and production.

[16] In 2005, the seventh group emerged from the ESA regional group – the Eastern African Community (EAC) . This division took place in consequence of the EAC countries establishing a customs union in January 2005.

[17] The EU's Generalised System of Preferences (GSP) allows developing country exporters to pay lower duties on their exports to the EU. The new system was put in place in January 2014.

December 2007, and the next one was signed in October 2008 (Haiti signed it on 11th December 2009) and approved by the EP in March 2009. The other regional groups did not decide to conclude comprehensive EPAs. As a temporary solution, the EU initiated the conclusion of Interim Economic Partnership Agreements, concerning, for example, trade exchange. The interim agreements were signed with 21 ACP countries (19 African countries and Fiji and Papua New Guinea) (European Commission 2013). As a result, the 36 ACP countries that managed to negotiate comprehensive or interim EPAs by the end of 2007 are covered by the duty/quota free access system to the European market, in accordance with the Market Access Regulation (MAR) adopted by the Council on 20th December 2007 (European Commission). The ACP countries that failed to conclude the EPAs and that are not beneficiaries of the "Everything But Arms" arrangement (EBA) (European Commission 2013a)[18], have been exporting to the EU market under the GSP rules since 1st January 2008. This was true of Nigeria, the Republic of the Congo and Gabon.

South Africa was a special case; as a member of the SADC it felt no pressure to change its trade relations with the EU as it singed the Trade, Development and Cooperation Agreement with the EU, which entered into force on 1st May 2004 and established a free trade area, among others.

Since 2008, the countries of Sub-Saharan Africa and the ACP group found themselves in four different trade systems determined by comprehensive EPAs, transitional EPAs, the EBA initiative, and the GSP.

The aim of transitional EPAs was to ensure access to the EU market to ACP countries interested in EPAs as well as to allow further work on detailed provisions of the comprehensive agreements. Under transitional EPAs, the following African countries retained tariff-free access to the EU market (although some of them would have retained it anyway, as they belonged to the LDC group): from the EAC – Burundi, Kenya, Rwanda, Tanzania, Uganda; from the ESA – the Comoros, Madagascar, Mauritius, the Seychelles, Zambia, Zimbabwe; from Middle Africa – Cameroon; from the SADC – Botswana, Lesotho, Mozambique, Namibia, Swaziland; from West Africa – Ivory Coast, Ghana. With this, under the MAR, 19 African countries benefited from tariff-free access to the EU goods market. However, they were not taking any steps towards the ratification of the transitional agreements.

On 30th September 2011, the European Commission adopted a proposal amending the MAR. It provides that unless one of the countries covered by it ratifies and implements the EPAs by January 2014, they will lose the duty/quota free access of

[18] "Everything But Arms" arrangement (EBA) was set up in 2001 to give all LDCs full duty free and quota-free access to the EU for all their exports, with the exception of arms and armaments. There are currently 49 beneficiaries under this arrangement (July 2015), of which 34 are from Sub-Saharan Africa.

their goods to the European market. In the end, the European Parliament agreed on 17th April 2013 to extend the deadline by nine months until 1st October 2014.

At the same time, the amended principles of the GSP mechanism entered into force on 1st January 2014. According to these principles, countries which according to the World Bank's classification are counted among high income or upper middle income countries were excluded from the list of beneficiaries of preferential access to the EU market. The new GSP mechanism may only be benefited from by low income or lower middle income countries. As a result, the countries that did not sign and ratify EPAs and do not meet the criteria of EU tariff preferences would fall in the order of preference in access to the EU market to the MFN level.

Failing to undertake the "necessary" actions towards ratification of EAPs by 1st October 2014 and the resultant possible removal from the list of countries benefiting from MAR would give rise to different consequences for different countries subject to this regulation. Nine of them – Burundi, the Comoros, Lesotho, Mozambique, Rwanda, Tanzania, Uganda, Zambia, and additionally Haiti (who failed to ratify the comprehensive EPA) – would retain tariff-free access to the EU market under the Everything But Arms (EBA) programme, as they are on the LDC list. Six of them – Ghana, Ivory Coast, Cameroon, Kenya, Swaziland, and Fiji – are low income or lower middle income countries and thus would be subject to the solutions introduced by the new GSP. Botswana and Namibia, in turn, would have access to the EU market under the MFN clause as they are upper middle income countries.

Because of the African countries' fear of losing tariff-free access to the EU market and pressure exerted by the European Commission, the negotiations of EPAs were hastened. In July 2014, new EPAs were agreed upon with the SADC and West Africa regional groups. Cameroon and the EAC countries, in turn, ratified the transitional EPAs concluded earlier on 28th July and 16th October 2014 respectively (Ramdoo 2014; European Commission 2015c).

The long and difficult negotiations between countries of Sub-Saharan Africa and the EU were finalised in 2014. EPAs have always given rise to many doubts among the African partners. Since 1st October 2014, the European Union has been developing a new architecture in the economic relations with the ACP countries, including Sub-Saharan Africa. The main goal behind it is to change the nature of the trade relations between the parties from a system of one-sided preferences for ACP countries to mutual benefits and concessions in market access. At the same time, it needs to be pointed out that apart from the comprehensive EPA with the Caribbean, which covers all aspects of economic relations, the remaining agreements concern primarily trade in goods because contrary to the EU's goals, the parties have not managed to address such areas as services, investments or public procurement. It can hardly be expected that the African party will agree to include them in future agreements. With this, it seems that EPAs with African countries will constitute the legal framework for trade in goods between the regions.

Conclusions

Nowadays, we are witnessing the development of a new international order. Although its precise framework and characteristics have not yet been specified, it is still certain that it will differ considerably from what we had in the last two decades. Even now we can see a significant fall of the western domination in world economy in relation to selected emerging markets – as evidenced by their ever-greater share in global trade, investments, production, and GDP. Consequently, the West is "fading" and the emerging markets are becoming ever stronger (especially in economic terms). The world is becoming multipolar. Western domination is no longer self-evident. A historical process is taking place of transition to a new multipolar structure of international relations, in which the economic potentials will probably be distributed more evenly between several centres, with no clear domination of the West (the EU and the USA). This was already pointed out by Zbigniew Brzeziński in *The Grand Chessboard: American Primacy and Its Geostrategic Imperatives* and later restated in his latest book *Strategic Vision: America and the Crisis of Global Power*. The thesis is also confirmed by analytical and strategic centres based in the USA (Shanker 2012). In this context, it seems highly justified that the EU is developing and consolidating relations with non-European developing countries, particularly countries of Sub-Saharan Africa.

These regions exhibit a considerable economic growth and have a huge potential (although we also have to note that they are facing serious problems and challenges). It seems that the evolution of the economic relations between the European Union and Sub-Saharan Africa will be the resultant of: on the one hand, the EU's striving to retain the leading position on the economic map of Africa, and on the other hand, Africa's considerable dynamism of modernisation and considerable development potential, as well as its striving to become one of the most competitive economies in the world. These elements create favourable conditions for intensifying mutual cooperation. The analysis of the trade exchange between the EU and Africa shows systematic growth. This is a permanent tendency that would be hard to reverse in the near future, all the more so because Africa's potential will be growing progressively. At the same time, the continent will become a huge sales market for foreign goods and services, because as long as necessary economic reforms are implemented, its human potential guarantees a strong workforce and a considerable internal market – particularly important given the cyclical crises in the global economy.

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