New Horizons for Germany’s Africa Policy

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Abstract
This paper deals with Germany’s new Africa policy. The Federal Ministry for Economic Cooperation and Development (BMZ) presented a new Africa concept in January 2017. The BMZ wants to counter the further marginalisation of Africa with inclusive and sustainable growth. Chancellor Angela Merkel will explain her new policy for Africa at the G20 summit in Hamburg in July 2017, in an attempt to gain the approval of the other G20 members for focused cooperation with Africa. The paper argues that it remains solely the duty of African states to take their development into their own hands. Cooperation can support this process, but it cannot assume what is each state’s individual responsibility.

The Marshall Plan with Africa aims to develop a joint agenda with the countries of Africa. Yet because the African countries did not participate in developing the concept, the plan derived so far is more of a plan for Africa, identifying which measures the BMZ would like to implement in order to contribute to sustainable and inclusive economic growth in Africa.

Africa is becoming increasingly differentiated, and developing a joint strategy with individual countries or groups of countries that reflects the varying speeds at which changes are occurring would be a decisive step. The plan does not cover sufficient ground on this issue. In order to develop a coherent Africa concept for the German federal government, the participation of the most important ministries needs to be improved, and the chancellor needs to be in charge of the overall management.

The paper concludes that Germany’s Africa policy needs to be redesigned. The Marshall Plan has generated a shift, but it does not provide sufficient guidance to new horizons and away from the well-beaten track of traditional development cooperation. The departure to a new age that is defined by increased cooperation with democratic African countries which are capable of reform, and by a courageous and consistent stance in relation to non-democratic countries, has not yet taken place.

Keywords: Africa, German Africa policy, Compact with Africa, Marshall Plan with Africa, cooperation

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1 Introduction

Africa is neither the continent of the future nor the continent of opportunity.¹ Most African countries are latecomers in economic development and are not rising (Kappel 2014c), and many are poor countries that are struggling hard to make headway. The large economic growth in several countries hardly translates into corresponding positive employment figures; in contrast, the number of underemployed persons has increased steadily. Catching-up processes such as those in East Asia are barely imaginable in Africa, regardless of the growth

¹ I would like to thank Sabine Kurtenbach, Jann Lay, Babette Never and Helmut Reisen for their comments on the first draft of my paper.
that has occurred; in fact, most African countries remain in the poverty trap. The Sahel countries are in an extremely precarious situation. Political crises are recurring in many parts of the continent. The potential for social upheaval is great, as approximately 65 per cent of the population are poor or extremely poor. Millions of people are refugees and/or want to migrate.

Nevertheless, the ongoing implementation of economic and political reforms in several African countries has given rise to hope. Urbanisation and the diversification of foreign direct investment represent a new trend. Large consumer markets are developing in African cities, and these are attracting foreign and domestic investors. Some African cities are transforming into “urban hubs” with modern industrial and service companies as well as growing middle classes (AfDB, OECD and UNDP 2016; Kappel 2016; Kappel, Pfeiffer and Reisen 2017). Disposable income in Africa’s major cities is expected to grow at an average of 6 per cent annually up to 2030, while aggregate spending power is set to more than double from USD 420 billion (in 2013) to USD 1 trillion by 2030 (Oxford Economics 2016). Since the 1980s, Africa’s middle classes have increased threefold, reaching 355 million in 2010 (34 per cent of the population), and they are projected to reach 1.1 billion (42 per cent) in 2060 (AfDB 2011). However, African growth has not been proportionally matched by formal employment creation. Most male and female workers have remained in the informal services sector, working as street vendors and petty traders. Africa’s informal economy is estimated to account for 61 per cent of urban employment and 93 per cent of all new jobs created (AfDB, OECD and UNDP 2016; Fox, Thomas and Haines 2017; Rodrik 2014, 2011).

Given the significant challenges that the African continent faces, the question arises as to which aspect should be the focus of Germany’s policy with Africa. In recent years, ministries, political foundations, and parties have repeatedly presented plans for Africa which have galvanised the discourse – for example, plans from the CDU/CSU (2016) and the SPD (2016), the Africa concepts of the federal government (2014) and the Federal Foreign Office (2011), and finally in 2017 the BMZ’s Marshall Plan and the Federal Ministry of Economy and Energy’s (BMWi) concept paper “Pro! Afrika.” The Marshall Plan with Africa is a significant contribution to the debate on a new Africa policy. The document names the most significant problems with regard to Africa and the policies towards Africa to date. The ministry clearly articulates what should be done, without exuding a tendency towards exaggerated optimism. The BMZ seeks to reduce poverty, develop industry, and increase employment in Africa by pursuing an approach that tackles several issues. Fundamentally, the Marshall Plan aims to

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2 According to the report Dynamics of the Middle Class in Africa by the African Development Bank (AfDB 2011), people whose consumption is an average of USD 2–USD 4 per day belong to the middle class (floating class). All those who earn USD 4–USD 20 per day form the core of the new middle classes in Africa.

3 See discussion contributions on German Africa policy on the German Development Institute’s (DIE) Africa Alliances blog: online: <http://blogs.die-gdi.de/en/africaalliances/> and the blog Welteuervermessung online: <https://welteuervermessung.wordpress.com/> (22 January 2017).

curb centrifugal developments and to stem the further marginalisation of the African continent. The strategy focuses on inclusion (for instance, via integration into value chains, modernisation of agriculture, reduction of poverty, and increased employment) rather than exclusion, and it contains relatively clear messages to the leaders of African states.

The BMZ wants to shed its image of the Good Samaritan and become an actor guided by its interests and an orientation towards being a civil power. This is good. Nevertheless, the concept is infused with a Samaritan approach that conceals Germany’s power-politics interests behind a facade of a “benign hegemon.”5 The plan gives the following impression: We know, we do, we implement. Cooperation on “equal footing” – a frequently cited phrase – is something different. Is the plan not called the Marshall Plan with Africa? To what extent were the partners included? What was discussed and negotiated with them? Where is the influence of the African actors, companies, governments, and civil societies? Were African institutions such as the African Union, the regional cooperation associations (such as the Economic Community of West African States, the East African Community, or the Southern African Development Community), the African Development Bank (AfDB), and the United Nations Economic Commission for Africa (UNECA) included in drafting the Marshall Plan? These institutions have provided outstanding concepts for rectifying structural crises, some of which differ from those stipulated in the Marshall Plan. These include industrialisation concepts and specific proposals for the modernisation of agriculture.6 Furthermore, the various civil society organisations, industry associations, and trade unions have contributed a multitude of ideas for African reforms.

2 Geostrategy versus Inclusion

It is the declared aim of the federal government to integrate the ideas of the Marshall Plan and the Compact with Africa (Schäuble 2017) into the G20 process and to advocate for a sustained and inclusive G20 strategy with Africa in Hamburg in July 2017.7 This will constitute a

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5 A benign hegemon provides reliable regulatory systems and is thus recognised as a stabilising power that makes a contribution to peace. Charles Kindleberger (1981) stated that a hegemon must have the power and capacity to fulfil this role and, in particular, ensure the following conditions: acceptance of the open market so that exports from the crisis regions can be absorbed; the countercyclical provision of long-term financing; a stable exchange rate system; the securing of macroeconomic and monetary policy coordination; a willingness to serve as a “lender of last resort”; peaceful international relations and the capacity to transform, see Kappel and Reisen 2015. German interests in Africa are manifold, see Mair and Tull 2009.

6 For a highly interesting debate on structural transformation in Africa compared to other developing countries see UNECA and African Union 2014; AfDB, OECD and UNDP 2016; Rodrik 2014; Bhorat and Tarp 2016; Rauch, Beckmann, Neubert and Rettberg 2016; Kappel, Pfeiffer and Reisen 2017; Fox, Thomas and Haines 2017; de Vries, Timmer and de Vries 2015; McMillan, Rodrik and Verduzco-Gallo 2014; Diao, Harttgen and McMillan 2017.

great challenge since the concepts and strategies for Africa (not with Africa) are drastically different from the German concepts. In particular, France, the USA, and China are pursuing predominantly geostrategic aims that are less conducive to accelerating growth, creating jobs, and reducing poverty in Africa. Here, the spirit of the “scramble for Africa” still prevails. These countries’ conduct is contributing to the solidification of asymmetrical trade relations. Their military-geostrategic actions and their cooperation with autocratic states and states that show little willingness to implement reforms are factors in the standstill in Africa.

France is the third-largest investor on the African continent (see tables 1 and 2). Its Africa policy is still imbued with the will to pursue policies in concert with the economic and political elites of, in particular, West and Central Africa. These policies are largely driven by self-interest. The military, economic, cultural, and development-policy engagement is multifaceted – ranging from currency cooperation in the CFA zone, cultural institutions, military bases, and the deployment of troops to the presence of French companies in the commodity, industry and service sectors and in agriculture (Mehler and von Soest 2012; Thorel 2013).

Table 1. Stock of Foreign Direct Investment South of the Sahara, USD billion

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Great Britain</td>
<td>48</td>
<td>66</td>
</tr>
<tr>
<td>USA</td>
<td>44</td>
<td>64</td>
</tr>
<tr>
<td>France</td>
<td>49</td>
<td>52</td>
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<tr>
<td>China</td>
<td>9</td>
<td>32</td>
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<tr>
<td>South Africa</td>
<td>16</td>
<td>26</td>
</tr>
<tr>
<td>Italy</td>
<td>10</td>
<td>19</td>
</tr>
<tr>
<td>Singapore</td>
<td>13</td>
<td>17</td>
</tr>
<tr>
<td>India</td>
<td>12</td>
<td>15</td>
</tr>
<tr>
<td>Malaysia</td>
<td>16</td>
<td>14</td>
</tr>
<tr>
<td>Germany</td>
<td>9</td>
<td>13</td>
</tr>
<tr>
<td>Total</td>
<td>595</td>
<td>740</td>
</tr>
</tbody>
</table>


China has now become Africa’s largest trade partner. Its institutional connections to most countries have been intensified (Brautigam 2015). In many African countries, China’s policy of “Energy for Infrastructure” has generated substantial economic growth and a multitude of new options – for example, industrialisation through foreign direct investment (AfDB, OECD and UNDP 2016). China is promptly delivering roads and railways; trade is increasing; and

enhanced investment in the processing industries and the service sector are contributing to the diversification of African economies. Many African states value the cooperation with China because the People’s Republic does not seek to influence internal matters and also explores new conceptual avenues – for example, rapid infrastructure development, which is financed by long-term trade and investment agreements. China’s One-Belt-One-Road strategy connects eastern and southern Africa. Concurrently, however, China is pursuing a policy of dependency and is solidifying asymmetrical structures.

The USA views Africa as a supplier of raw materials; a growing export market; and a geo-strategic environment where, in particular, terrorism can be fought (Nolte, Abb, Fürting and Kappel 2016). Since 2014, the U.S. State Department has created a drone programme with bases in Ethiopia, Niger, Kenya, and Djibouti. From the African perspective, the USA plays an important role as, for example, the second-largest investor, the third most important trade partner (after the EU and China), and the second most important donor country for development aid. However, President Trump’s government is planning to reduce such development activities in Africa.

### Table 2. Inflow of Foreign Direct Investment – Greenfield Investment, 2010–2015, USD million

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>4930</td>
<td>6234</td>
<td>4759</td>
<td>3978</td>
<td>7867</td>
<td>6897</td>
<td>5778</td>
</tr>
<tr>
<td>EU total</td>
<td>28759</td>
<td>20406</td>
<td>8255</td>
<td>19753</td>
<td>47119</td>
<td>27763</td>
<td>25343</td>
</tr>
<tr>
<td>Great Britain</td>
<td>11699</td>
<td>8260</td>
<td>2704</td>
<td>4815</td>
<td>2563</td>
<td>4934</td>
<td>5829</td>
</tr>
<tr>
<td>France</td>
<td>7239</td>
<td>2331</td>
<td>1567</td>
<td>2627</td>
<td>18941</td>
<td>5829</td>
<td>6422</td>
</tr>
<tr>
<td>Germany</td>
<td>3128</td>
<td>2587</td>
<td>1067</td>
<td>1195</td>
<td>2652</td>
<td>2607</td>
<td>2206</td>
</tr>
<tr>
<td>BRICS total</td>
<td>9709</td>
<td>16196</td>
<td>10709</td>
<td>12942</td>
<td>12202</td>
<td>9675</td>
<td>11906</td>
</tr>
<tr>
<td>India</td>
<td>4562</td>
<td>7870</td>
<td>7514</td>
<td>5331</td>
<td>1122</td>
<td>981</td>
<td>4563</td>
</tr>
<tr>
<td>China</td>
<td>834</td>
<td>1791</td>
<td>1820</td>
<td>292</td>
<td>6131</td>
<td>2313</td>
<td>2196</td>
</tr>
<tr>
<td>South Africa</td>
<td>3419</td>
<td>4667</td>
<td>1299</td>
<td>5605</td>
<td>4800</td>
<td>2018</td>
<td>3635</td>
</tr>
<tr>
<td>Total</td>
<td>70449</td>
<td>67551</td>
<td>47249</td>
<td>66299</td>
<td>88391</td>
<td>71181</td>
<td>68521</td>
</tr>
</tbody>
</table>


At first glance, Germany’s cooperation concept appears to differ from those of the states outlined above. However, upon closer inspection this proves to be a problematic assessment, given, in particular, the postcolonial (European) trade policy, the hesitant support for infrastructure development and industrialisation, the insufficient reflection of processes of change occurring on the African continent, and the low level of sensitivity in the German value-oriented policy.
3 Fair Trade Cooperation with Africa?

Germany should rethink European–African trade cooperation and review it in close connection with European agricultural policy. It is right to make efforts in favour of fair trade relations, as Minister Müller has done and as clearly formulated in the Marshall Plan. The Marshall Plan critically reminds policymakers not to “be guided by short-term economic and trade interests” (BMZ 2017: 2), thus sparking a debate about a new German/European cooperation with Africa. The European governments and the EU Commission do not behave fairly. As long as the EU significantly subsidises its agriculture, African farmers stand no chance in European markets, except those providing products that are not produced in Europe, such as coffee or cocoa. Additionally, the non-tariff trade barriers limit Africa’s exports.

But this is only one side of the coin. African producers are usually unable to make use of existing market opportunities due to lacking productivity, product quality, and speed. They do not know the European, American, or Chinese markets. They have insufficient links, and even if they do have them at their disposal, their production costs are too high. If African industry and service companies want to use their export opportunities, they must become more competitive and adapt to the global level of technology. Expanding technological competence, creating a research and development sector, and increasing investment in human capital may be of help in raising labour productivity and pushing innovation, thus boosting African companies’ capacity to export.

A new trade policy must consider the status quo of most African countries; in particular, it must reduce trade barriers for African exports and promote proactive marketing of African products in the EU through European–African chambers of commerce, instead of unilaterally through the creation of “Consultation Networks for German Companies in Africa” (BMZ 2017: 16). This agenda would also conceptually counter an increasingly protectionist USA (“America first”) with a cooperative strategy, contributing to the reduction of Africa’s growing dependency on China. It is not enough to vaguely state that trade relations with Africa are to be “ambitiously driven forward” (BMZ 2017: 12). Although this sounds good, it is of little substance. The BMZ deserves credit for advancing this agenda, but as a ministry it is hardly vested with competence in trade issues, and its influence on European–African trade issues is extremely limited. The real actor on the German side is the Federal Ministry for Economic Affairs and Energy (BMWi), which has to date leaned towards advocating free trade. The BMWi would thus have to adopt a new position and take steps towards the implementation of a new European trade regime with Africa. The Federal Ministry of Food and Agriculture should also take action and engage in the debate on agricultural subsidies. The status quo will stay firmly in place as long as both ministries’ ability to engage in the discourse remains limited.

The BMZ is aware of this fact, but as a small ministry it appears to have limited influence on the large ministries which set the tone. What is required is that Germany initiates steps towards public consultation concerning a new European policy for trade and agriculture
which includes the most important African and European actors. This task is even more important given that the negotiations for the Economic Partnership Agreements (EPAs) are to be concluded as soon as possible and the Post-Cotonou Agreement is to be concluded in 2020. With a new trade policy, Germany and Europe could rectify the negative effects of the previous arrangements under the Cotonou-Agreement and could depart from the old, neo-postcolonial model. However, considering the short-term nature of the federal government’s actions (e.g. refugee and migration partnerships), it seems very unlikely that it would push for a new, revised European trade agenda.

4 Further Infrastructure Development in Africa – A Core Task

The authors of the BMZ Marshall Plan and also of the Compact with Africa name infrastructure problems in Africa as a significant impediment to development. Indeed, the largely rudimentary infrastructure hinders market integration and the creation of company and employee networks (Kappel, Pfeiffer and Reisen 2017). For example, some 70 per cent of the African population have no access to electricity. Roads across the country, across the borders, and within cities are extremely underdeveloped. Small towns and rural areas are disconnected. Internet access is strongly limited and information is not transmitted, or is transmitted slowly; bank density is also very low. There are very few modern airports and harbours. While 90 per cent of imports and exports are transported by ship, the integration of shipping is asymmetrical: container traffic is characterised by an extreme imbalance. Although 100 per cent of containers arrive fully laden in African harbours, some 80 per cent of the departing containers are empty. The one-sided trade structure (the export of predominantly raw materials and agricultural products, and the import of investment goods and food) results in extremely high rates for sea freight, which in turn increases production costs in Africa (Rogers 2017).

That people and companies are “not connected” to each other and to markets constitutes a great challenge to Africa; leads to high costs; causes limited growth; and contributes to a lack of participation in economic life on the part of the workforce, farmers, and companies. This particularly marginalises the African agricultural sector and the poor. Annual investments of USD 50 billion are urgently needed to provide for an efficient infrastructure and simply to facilitate the necessary connections among the economic actors (farmers, traders, industry, and service companies). A functioning infrastructure is the prerequisite for the creation of intra-African value chains and for the integration of African companies into global value chains. Germany could make a contribution to resetting the trend by substantially increasing its commitment to supporting further infrastructure development (streets, harbours) and expanding general access to electricity. Germany can increase its level of involvement as African institutions – for example, the AfDB and the African Union – have extensive plans to facilitate investment and to improve infrastructure. The West should “top up” these institutions’ funds, instead of transferring increasing amounts of money to the World Bank and
other Washington-based institutions (Kappel, Pfeiffer and Reisen 2017; Della Croce, Fuchs and Witte 2016). The BMZ’s Marshall Plan makes only vague references to funding, and the extent to which the Ministry of Finance (BMF) will actually provide funds as part of the Compact with Africa is unknown.9

5 Industrialisation through Cooperation

The BMZ’s Marshall Plan seeks to contribute to the industrialisation of Africa – for example, by means of German investment. However, in this context Africa faces immense challenges which clearly show that the majority of the countries hardly have a chance of seeing a surge in industrialisation. With the exception of Mauritius and South Africa, all the countries of sub-Saharan Africa have been subject to either delayed industrialisation or none at all. For them, it is particularly difficult to industrialise in the face of global competition, rapid technological change, and a global shift in demand towards services. African companies no longer produce behind protective barriers in their own countries, but are competing with producers from all over the world. In order to facilitate a breakthrough in the development of a competitive sector of medium-sized enterprises (African “Mittelstand”, Kappel 2016) and industry, the extension of the markets, the development of economies of scale, and access to funding would be necessary, as well as a reduction in the high trade and transport costs.

The authors of the Marshall Plan reflect these trends only insufficiently and do not place that much trust in the concepts of the AfDB and UNECA which are currently being discussed, or the proposals of UNIDO (Oyelaram-Oyeyinka and Wohlmuth 2016; Bass, Kappel and Wohlmuth 2017; Altenburg and Lütkenhorst 2015). They demand and focus on a form of industrialisation which is to be boosted, in particular, through industrial zones, through industrial clusters, or through integration into value chains. It would befit the Marshall Plan to make a contribution and develop proposals that extend beyond the vocational education of employees. It has been unequivocally proven that industrialisation does not come into existence through vocational education, but rather through local and medium-sized businesses and foreign investors, who in turn want to have recourse to qualified engineers and skilled workers. Thus, integrated concepts are required.

Another option could be to support incentive systems for founding young enterprises which already have competencies and business ideas. Funds already exist in many countries for young businesses; however, their endowments are usually limited. Through the AfDB and other African institutions, Germany could also contribute to positively assessed funds so that young, dynamic, and innovative enterprises can enhance their competitive positions. Businesses develop most effectively in industrial clusters and in an innovative environment.

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9 The BMZ’s Marshall Plan and the Compact with Africa make no statements concerning the financing of the envisioned measures.
closely connected to research institutions and technical universities. Companies acting in industrial clusters are most likely to integrate into value chains and could thus generate the necessary transfer of technology (Farole and Winkler 2014; Kappel, Pfeiffer and Reisen 2017; Altenburg and Lütkenhorst 2015). Therefore, the concepts proposing the development of a sector of medium-sized enterprises in Africa\footnote{Small and medium-sized enterprises (SMEs) are constrained in many African countries. For instance, limited access to finance and electricity, a lack of managerial competencies and qualified labour, high taxes, and low barriers to market entry result in destructive imitation rather than innovation. In terms of competitiveness, SMEs’ growth potentials are affected by intra-firm factors and the business environment. Efficient institutions that foster the private sector – for example, by dismantling market entry barriers for SMEs or intensifying technology transfer – can stimulate economic growth and hence boost employment and raise incomes. What is important is the role of external technological economies – that is, the attraction of industrial branches and demand for qualified labour have the effect of transferring know-how to other sectors. Intensive cooperation and communication among companies helps new technologies to disseminate very rapidly, making them accessible to many enterprises. This triggers learning effects, allowing all companies involved to profit if there is sufficient institutional support – vocational training, research institutes, business development services, and chambers of commerce. In growing cities, there is a greater likelihood that enterprises will grow. There are industrial clusters that enhance information flows and competition between enterprises. Clusters and networks between enterprises have a particular significance for industrial take-off. Success is dependent not only on the productivity levels of individual enterprises but also on the interaction of many vertically and horizontally linked enterprises. These generate the possibility to grow faster and become more productive and innovative. See Ishengoma and Kappel (2011).} which would be able to integrate as subcontractors into global value chains through technological and research cooperation are most suitable for generating spillover effects. Additionally, such developments would stimulate German investment. Most African manufacturers only have a slim chance of producing simple consumer goods in the global product cycle. Nowadays, T-shirts are predominantly produced in Bangladesh and Vietnam. As African companies produce too expensively, Chinese or Indian investors will only in exceptional situations produce in a few African countries, such as South Africa, Mauritius or Ethiopia, due to increasing unit labour costs (cf. Staritz and Frederick 2016; Kappel, Pfeiffer and Reisen 2017; Bhorat and Tarp 2016). In this context, the BMZ can stimulate the discussion, but the key actors are the BMWi and the Federal Ministry of Education and Research (BMBF).

6 Value-Oriented Politics and Security

Value orientation is a great challenge to the implementation of a coherent Africa policy (Mair and Tull 2009; Engel and Kappel 2005). It is to be welcomed that the authors of the Marshall Plan have deliberately addressed this issue. However, the deliberations are not really convincing. A value-oriented policy requires clear rules. These are formulated rather vaguely in the Marshall Plan. Consistently pursuing a value-oriented policy requires criteria that enable a distinction between reform and non-reform states, and between authoritarian and demo-
cratic countries. The procedure was also rather unclear previously. For example, for many years autocratic Ethiopia received large amounts of funding for developmental aid, and thus the government’s self-defined funding criteria were breached. The Marshall Plan identifies Togo, Algeria, Egypt, and Benin as reform states. This indicates that a fundamental, value-based concept is not being consistently applied. Increased cooperation with Ethiopia and Rwanda – which is apparently planned – runs counter to the approach of the Marshall Plan and raises doubts concerning value-oriented policies. It would be more honest for the BMZ to declare why it is that authoritarian regimes are to become privileged partners. This would make transparent why realpolitik and cooperation with authoritarian countries is necessary, since these states want to make their countries progress and modernise them with a “development state,” while most frequently imitating the Chinese concept of a "development dictatorship" (as in the case of Rwanda and Ethiopia).Currently, however, it is not possible to estimate to which extent these approaches will indeed catapult people out of poverty, as many of these countries’ leaders propagate. In any case, doubts are legitimate. The Marshall Plan evades giving a reason and does not explain why the German set of values is no longer applicable to some countries and why, instead, cooperation is to be sought with Ethiopia, Mali, Algeria, Niger and Egypt, all of which are countries that violate democracy and human rights. If there is to be cooperation with these authoritarian states, then clear rules and conditions are required. Funding must be subject to the condition of clearly formulated aims for the introduction of democracy, transparency, the rule of law, and participation within a fixed time frame. If authoritarian regimes do not comply with such a deal, then development cooperation should be reduced. While cooperation with authoritarian governments should remain the exception, it is imperative to cooperate closely with democratic states that are willing to reform, thus sending a clear message.

7 German Investment in Africa

The BMZ’s Marshall Plan wants to support German investment in Africa. But German companies do not need subsidies for their investment in Africa. Improving Hermes export credit guarantees would be completely sufficient. German industry is very strong, with major and medium-sized companies from Germany investing and producing successfully worldwide.

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11 Neither country can be regarded as economically successful. Thanks in large part to foreign aid, expansive public spending supported by Chinese loans, and a rise in foreign investment, Ethiopia was one of Africa’s fastest growing economies during the last decade. Despite this surge, a third of Ethiopians, who now number nearly 100 million, still live on less than USD 1.90 a day.

12 See BMWi 2017 for a reform of the Hermes export credit guarantees and several ideas for new instruments in order to strengthen German investment and partnerships with African institutions; BDI and DIHK 2017 for a detailed list of the demands of German industry. It is interesting to observe that an expert report for the BMZ by Felbermayr and Yalcin (2016) can do entirely without knowledge of the developments in Africa. Here, support measures that have been very familiar for a long time have been reissued.
There are good reasons why German companies (some 1,000) exercise some reserve in Africa. African markets are small, many countries are politically unstable (which is very bad for investment), and the risks are generally very high. When the globally leading German companies see growth potential, they will invest. Windfall effects are to be avoided.

8 Different Concepts for Different Groups of Countries

Germany needs a new approach to cooperation with Africa. This is the message of the Marshall Plan. The plan is realistic and recognises that Germany is merely in the second row. To what degree can German commitment support Africa’s transformation to employment-intensive industrial and agricultural development and, in doing so, contribute to the reduction of poverty? Is Germany able to stall further decline in some parts of Africa? The BMZ’s Marshall Plan emphasises change in Africa. However, little attention is paid to the differences across the continent. If this differentiation took place, cooperation could be better focused.

Several conclusions for a coherent policy can be drawn from the points made so far. The following measures should be at the core of German commitment in Africa:

1. Measures for peace and combating poverty, and emergency aid for “failed states”: Poor countries and failing states radiate negatively into the region and have adverse effects on neighbour states. Measures for stabilisation and peace are the core requirement for development. Ensuring this is the task solely of the states of Africa. With regard to security, the Marshall Plan pursues a sensible approach. Security is a valuable good in Africa and simultaneously the most important prerequisite for a good life. Only if terrorism is combated successfully, if the conflicts between countries and the social, political, and economic crises in the countries are contained and the populations feel more secure, will they stay in their home countries and see a future for themselves there. Therefore, German policy, in particular, should formulate a programme to strengthen African security institutions and agendas, continue the EU’s African Peace Facility, and strengthen prevention (Engel 2016; Furness and Olsen 2016). The German Federal Foreign Office should coordinate this agenda for Germany. The states of Africa are also responsible for combating poverty themselves. German cooperation can support the struggle against poverty and also, for example, make contributions to establishing social security systems. This is where the core competence of the BMZ lies.

2. Particular significance should be placed on promoting economic development (industrial cluster promotion, integration into value chains, technology transfer) in countries willing to implement reforms. Successful reform countries are attractive, draw investment, and increase the exchange potential of the neighbouring countries. Their success can generate imitation and contagion effects and also intensify regional integration. Cooperation with emerging countries that have seen strong economic growth and have started to industrialise can prove to be particularly rewarding. Here, the focus should be on technology and
research cooperation in order to support, for example, measures promoting the integration of local companies and value chains. In recent years, these countries have shown “growth accelerations” and been able to push the transition from low-productivity agriculture (Rauch, Beckmann, Neubert and Rettberg 2016) to slightly more productive service sectors and a processing industry. They include Kenya, Senegal, and Tanzania. Mauritius and South Africa are exceptional cases, having developed in a similar way to the rising countries in Asia. They could cause spillover effects through cooperation in technology and research (university and technology partnerships) and could promote market integration and processes of endogenous development by further developing infrastructure. Germany should support those states willing to implement reforms, something which might also extend their momentum to other countries. Governments unable to implement reforms should no longer enjoy particularly high levels of official development aid. This would be in agreement with former federal president Horst Köhler (2017), who demanded new horizons for Germany’s Africa policy.

3. Commodity-rich countries have phases of strong growth, yet also have high unemployment and corruption, and in phases of slumping markets they easily fall into the debt trap. For commodity-rich countries, the priority must be supporting anti-corruption-campaigns and the diversification of raw material economies.

4. Small countries – that is, the majority of African states – can be best supported via measures for regional integration, the further development of intra-regional infrastructure, and the strengthening of regional organisations. By financing investment in infrastructure, Germany can contribute to cross-border market integration.

5. Cooperation with stagnating countries, whose transition into the service sector is often connected to lower productivity (Diao, Harttgen and McMillan 2017), has a different dimension. These counties often remain in the trap of low productivity. Therefore, most have extreme difficulty creating employment (Bass, Kappel and Wohlmuth 2017), as characterised by rural unemployment and informality in the cities, where the informal sector is the dominant economy. The sector of medium-sized companies is usually small and embedded in major foreign and domestic corporations (ICT, banks, wholesalers); the frequently dominant commodity/raw materials sector, which only provides work for very few wage-earning workers (Bhorat and Tarp 2016; Kappel, Pfeiffer and Reisen 2017); the export-oriented consumer goods sectors; and modern agriculture. It is apparently very difficult to alter this heterogenic structure, even more so given the fact that severe impediments to the development of entrepreneurship exist in many countries. Contributing here with flexible and adapted agendas to ensure that at least some African countries can see industrial development and a solution to the severe problems in the field of employment, particularly for the youth, is a task which would merit discussion.

In summary, this means that, depending on the status of development, very different cooperation agendas would be put into effect. The BMZ’s Marshall Plan identifies several
measures to support such processes, yet they hardly have an effect on the core issue, are only vaguely connected, and resemble an assembled sequence of measures which are hardly able to develop their full force. Focusing the agenda would be more efficient and could bring an end (as is frequently demanded) to the inefficient dispersion of support.

9 The BMZ’s Marshall Plan – Not yet the Long Haul

The BMZ lays out how the countries of Africa and the EU can improve cooperation and should jointly work on developing solutions to problems. Nevertheless, the Marshall Plan repeats many familiar concepts and strategies. A substantial restart would take a different shape and, particularly after decades of development aid, would have to aim to develop a coherent German concept with all the ministries involved. For too long, compromises have prevailed, and the necessary reform of the institutions and agendas has been delayed. This would be the task of the federal government and the chancellor, who with her visits to African countries and particularly her consultations with Tunisia, Egypt, Mali and Niger has begun to restructure cooperation with Africa.

Africa is starting to differentiate itself. Several countries are poised for something new. Many countries remain in the poverty trap, and several countries which are beset by political unrest will continue to be characterised by crises and conflicts in the long term. The profound change on the continent offers opportunities to the people when the governments and the external actors are willing to implement reforms. Germany’s Africa policy could make a contribution and support the African transformation process. Within Europe, Germany will become an important actor that can provide impulses for cooperation with Africa, as it largely aims for a non-hegemonic, inclusive, centripetal and reliable partnership, which distinguishes it from the G20 member states pursuing geostrategic interests.

Institutional reform is imperative in order to create a more efficient and coherent Africa policy and in order to reduce friction losses. The (friction) costs caused by the multitude of ministerial coordination processes can be reduced. Germany’s Africa policy could thus also make more effective use of its distinctive competencies and could bring about a strategy of togetherness with the reform-active and democratic states of Africa. It would stand out positively from the postcolonial agendas of others and could thus be the blueprint for a civil-power-oriented and inclusive model.

It is the responsibility of the Federal Foreign Office to coordinate and implement Germany’s Africa policy, because Africa will only make progress if there is peace in Africa. Germany can provide impulses in Africa with its civil-power concept, strengthening reform-oriented countries, but it must also allocate adequate funding and include the Ministry of Defence. Formational funds (Gestaltungsfonds) need to be created to place the Federal Foreign Office in a position to guide coherent policy through incentive-based measures. Formational funds would enable the Federal Foreign Office to implement measures both at home and abroad, such as
talk–act workshops, advisory forums, funding for the implementation of measures – including high-risk measures – and the purchasing of expertise (Kappel 2014). As Wolfgang Ischinger of the Munich Security Conference made clear in 2016: “To make sure our efforts are adequately funded, we should consider introducing a new foreign policy guideline such as a ‘three per cent criterion’ for more international commitment: we should spend at least 3 per cent of our GDP for crisis prevention, development assistance, and defense.”13 The BMWi would have the task of contributing to a coherent trade and agriculture policy, could give input to Africa’s industrialisation process, and would have to take the Ministry of Agriculture on the journey. The BMF could promote investment through the Compact with Africa and could help improve the infrastructure. The BMZ can contribute its established links in Africa and its competence regarding developments in Africa. That is significant and necessary. But setting the direction for the cooperation of African countries cannot be the task of the BMZ alone. Restructuring Germany’s Africa policy is thus the task of the entire federal government.

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