

## **A European strategy for sustainable foreign aid & trade, limiting China's influence in developing countries**

*Adopted at the YEPP Council Meeting in Helsinki, 18.02.2023*

### **Recognizing that:**

1. PRC has become the largest trading partner with Africa.<sup>1</sup>
2. The EU trades with numerous African countries, and Europe is by far Africa's biggest export market.
3. The EU is the biggest donor for aid internationally. The EU's aid budget is providing over 50 billion euros a year. This is one of the most generous global aid budgets in the world to help overcome global poverty and to contribute to global development.
4. PRC is investing massively in African and Middle Eastern infrastructure through the belt and road initiative. Furthermore, they also use this as an opportunity to extract massive amounts of natural resources from the continent.<sup>2</sup>
5. EPP and the European parliament has previously stated that they: "...favour of using European development aid as a broader tool for climate and environmental action, economic and trade policies and migration management. It is an important shift away from the obsolete donor-recipient mentality we used to have"<sup>3</sup>.
6. In 2019, prior to the pandemic, growth in African countries were highly dependent on natural resources. Moreover, the lack of private investment was a huge obstacle in growth.<sup>4</sup>
7. The world's democracies are built on strong institutions that promote and guarantee the rule of law and proprietary rights and adhere to the principles of the market economy.

### **Acknowledging that:**

1. PRC influence on developing countries places these countries in a vulnerable position regarding geopolitics, blackmail, and future independent growth.
2. Emergency aid given in situations of natural disasters or war is not comparable nor interchangeable with foreign aid.

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<sup>1</sup> <https://doc-research.org/2018/09/chinas-approach-to-africa/>

<sup>2</sup> <https://doc-research.org/2018/09/chinas-approach-to-africa/>

<sup>3</sup> <https://www.eppgroup.eu/newsroom/news/development-aid-must-come-with-conditions>  
[https://ec.europa.eu/info/aid-development-cooperation-fundamental-rights/recipients-and-results-eu-aid\\_en](https://ec.europa.eu/info/aid-development-cooperation-fundamental-rights/recipients-and-results-eu-aid_en)

<sup>4</sup> <https://www.imf.org/en/Publications/REO/SSA?page=1>

3. Providing aid for industries and businesses in developing countries supports the country to develop independently and create more jobs compared to bilateral state aid, thus leading to reduced dependence on both western and PRC aid.
4. Lacking democratic, bureaucratic and financial institutions in developing countries calls for EU countries to directly provide aid to industries rather than governments.
5. European guilt over past involvement in Africa must not become an obstacle against sustainable and effective aid from Europe to developing countries.
6. The nominal quantity of aid is not directly linked to the effectiveness of aid given.
7. European values such as democracy, freedom of speech, capitalism and equality are shared to other countries through trade.
8. Strong institutions that promote and guarantee the rule of law and proprietary rights together with a market economy are the best reforms to achieve prosperity and a certain extent of freedom in non-democracies.
9. Foreign aid is an important tool in consideration to strategic security interests.
10. In 2021 launched the EU-Africa: Global Gateway Investment Package pledged to mobilize €150 billion by 2030 to support Africa's green and digital transition. The Package will fund projects in infrastructure, energy, food security, and education as a bloc that attempts to compete with China's Belt and Road scheme<sup>5</sup>. Unfortunately, it was immediately overshadowed by the fallout of Russia's war, which has made EU-Africa relations even more complicated, and it will continue to spill over into EU-Africa relations.
11. Between 2001 and 2018, China loaned approximately \$126 billion to African countries. Between 2001 and 2018, China invested \$41 billion in FDI. Angola alone accounts for about a third of Chinese lending to Africa between 2000 and 2019. In 2016, China was the largest exporter to Africa. By mid-2017, at least 10,000 Chinese-owned companies were operating in Africa. Since 2010, a third of Africa's power grid and infrastructure has been financed and constructed by Chinese state-owned companies.<sup>6</sup>
12. Africa's main trading partner is by far the EU, both for export and imports of goods., but other global actors are racing to catch up. In terms of foreign direct investment France is still the largest investor (in capital) The Netherlands, the United States, The United Kingdom (UK) , China and Italy follow on the top investor list. Moreover between 2007-2019 EUR 763 million committed to support of more than 90 different projects, which

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<sup>5</sup> [https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/stronger-europe-world/global-gateway/eu-africa-global-gateway-investment-package\\_en](https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/stronger-europe-world/global-gateway/eu-africa-global-gateway-investment-package_en)

<sup>6</sup> <https://www.fpri.org/article/2022/01/chinese-economic-engagement-in-africa/>

have leveraged investments in projects worth EUR 11.4 billion through the EU-Africa Infrastructure Trust Fund.<sup>7</sup>

**YEPP calls for:**

1. Linking Overseas Development Aid to trade rather than handouts.
2. Target foreign aid investments in domestic industries in recipient countries to create sustainable jobs and infrastructure.
3. European infrastructure to be built and further enhanced in developing countries.
4. Aiding developing countries in building green and low-polluting industries.
5. Ending foreign aid from EEA member countries to PRC.
6. Maintain the duty-free trade framework between the EU and African countries.<sup>8</sup>
7. European foreign aid to focus on the creation of strong and lasting institutions that promote and guarantee the rule of law, proprietary rights, and the framework for a market economy rather than general aid.
8. European Commission and EIT to launch Innovation & Education Hubs in Africa as gateway to Europe to connect local industry players, startups & talents with business opportunities in Europe, to better assess their needs and to support economic integration with a view to strengthen trade relations and sustainable investment.

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<sup>7</sup>[https://www.europarl.europa.eu/RegData/etudes/BRIE/2020/603509/EXPO\\_BRI\(2020\)6035\\_09\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2020/603509/EXPO_BRI(2020)6035_09_EN.pdf)

<https://www.eu-africa-infrastructure-tf.net>

<sup>8</sup> [https://trade.ec.europa.eu/doclib/docs/2017/november/tradoc\\_156399.pdf](https://trade.ec.europa.eu/doclib/docs/2017/november/tradoc_156399.pdf)