



Africa in the global economy: development challenges and investment opportunities for Europe

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Abstract

Africa is increasingly viewed as a pivotal driver of global economic growth, offering both significant opportunities and complex challenges for international investors. Yet the continent remains structurally marginalized within global investment flows. This article investigates the developmental impact of foreign direct investment (FDI) in Africa, focusing particularly on Europe’s role relative to other major global actors. It argues that the predominance of extractive and service-oriented capital inflows has deepened external dependency, weakened domestic value chains, and contributed to premature deindustrialization across parts of the continent. Africa’s continued difficulty in attracting manufacturing-oriented FDI—relative to peer emerging economies—constitutes a critical constraint on its economic growth and deeper integration into the global economy. The article contends that more diversified investment, anchored in manufacturing and supported by policies that enhance absorptive capacity and innovation ecosystems, provides the most viable pathway toward productivity gains, employment creation, and structural transformation. Against this backdrop, the study examines the strategies of international investors engaged in the contemporary ‘new scramble for Africa.’ It underscores Europe’s enduring structural advantages—geographic proximity, historical and institutional ties, and a substantial cumulative investment base—while analyzing how these strengths are increasingly undermined by political fragmentation, colonial legacies, and diminishing influence amid intensifying global competition. The article explores the policy implications of this shifting landscape, arguing that Europe’s future relevance depends on consolidating a more unified and genuinely federal framework, and on recalibrating its engagement with Africa toward mutual benefit, collaborative industrialization, and sustainable co-evolution within a multipolar global order shaped by Africa’s growing strategic agency.

Keywords Africa · Foreign direct investment (FDI) · Europe–Africa relations · Manufacturing investment · Economic growth · Structural transformation · Multipolarity

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1 Introduction

Africa is widely regarded as the region with the greatest potential for sustained economic growth in the coming decades. A report by the Geoeconomic Center of the Atlantic Council, presented at the 2023 IMF–World Bank Annual Meetings, projects that the continent could grow at an average annual rate of 5–7% over the next thirty years, resulting in an economy four to seven times larger by 2050. This expansion, driven by a young and increasingly dynamic population, could position Africa as a key engine of global growth (Mohseni-Cheraghloou, 2023). Demographic forecasts reinforce this outlook: by 2050 Africa will add 796 million people to the global workforce, reaching a total of 1.549 billion and becoming home to the world’s largest working-age population. By contrast, India will add 183 million workers, China will see its labor force contract by 180 million, and Europe will lose 156 million, while North and Latin America will add only 39 and 49 million, respectively (Signé et al., 2025). Long-term projections by Goldman Sachs (Daly & Gedminas, 2022) suggest that, under appropriate policy and institutional frameworks, Nigeria could rank as the world’s fifth-largest economy by 2075, with Egypt reaching seventh place.

Africa’s considerable economic potential and ongoing resurgence have repositioned the continent at the center of intensifying global rivalries (Bature, 2025; Carmody, 2025; Gooch et al., 2022; Kepe et al., 2023), as its ongoing resurgence signals major opportunities for international investors, whose central challenge lies in contributing to a virtuous cycle of domestic development and deeper integration of Africa into the global economy (Morgan et al., 2022). Echoing the late nineteenth-century scramble, when European empires partitioned and colonized nearly the entire continent (Carmody, 2011), scholars increasingly describe the present as a ‘new scramble for Africa.’ This dynamic is manifested in escalating competition over trade and investment, the aggravation of armed conflicts (Olsen, 2015; Williams, 2017), the recalibration of geopolitical strategies (Carmody, 2024), the adaptation of aid and soft power instruments (Blair et al., 2022; Tella, 2024), and heightened contestation in multilateral forums (Kugler, 2025).

Nonetheless, post-war history provides a compelling rationale for adopting a cautious stance: numerous optimistic forecasts have failed to materialize or were quickly revised downward (Clarke, 2012, 2013). Scholars attribute this to a complex interplay of endogenous and exogenous factors (Acemoglu et al., 2001; Mbembe, 2001; Nachum et al., 2023; Posner, 2005; Rodney, 1972). Among the former are unfavorable habitats and cultural milieus, institutional fragility, economic mismanagement, and ethnic fragmentation, which have often impeded the creation of unified markets. Among the latter are colonial extractivism, exploitative trade and investment patterns yielding limited—if not negative—spillovers for endogenous growth, and persistent external dependencies that have entrenched underdevelopment. International powers have often leveraged local divisions to consolidate their influence and capitalize on regional instability, including by facilitating lucrative arms markets, with Russia

serving as a prominent example (Craft & Smaldone, 2002; Gallea, 2023; Stavrianiakis, 2025).

Structural constraints continue to operate, albeit in altered configurations. One salient expression is a form of financial neo-colonialism, reflected in the rising external debt burdens, with China emerging as a major creditor. Africa's debt stock has more than doubled over the past decade, with external liabilities now averaging 24.5% of GDP—and substantially higher in many countries (Afreximbank Research and International Cooperation, 2024; Harcourt et al., 2025). The enforcement mechanisms and conditionalities attached to this debt restrict policy autonomy, weaken institutional sovereignty, and intensify vulnerability to external economic and political pressures (Coulibaly et al., 2019; Mangani, 2022; Salomon, 2024).

This paper focuses on Europe's role in shaping international strategies for leveraging inward FDI to advance Africa's development potential.¹ Evidence from the post–World War II period highlights the central role of FDI in fostering growth in developing economies, particularly by facilitating integration into global value chains (GVCs) and generating productivity spillovers (Baldwin, 2014; Gereffi et al., 2005; Rodrik, 2018a). Yet, the developmental benefits of FDI remain contingent upon domestic institutional capacity and policy frameworks that can effectively capture and channel externalities toward long-term growth, as well as the strategic priorities and engagement of external investors.

Within this broader context, Europe's economic relationship with Africa stands at a critical juncture. As a longstanding source of investment, technology, and trade, Europe occupies a distinctive position to support Africa's deeper integration into global production networks. Deep-rooted ties, geographic proximity, and shifting geopolitical dynamics create renewed opportunities to reconfigure this partnership on more equitable and strategic terms. Whether this potential can be realized will depend on Europe's ability to adapt its investment strategies and policy instruments to an increasingly competitive and multipolar global environment.

To frame the discussion, this paper analyzes Europe's evolving engagement with Africa in comparative perspective, assessing its structural advantages, enduring constraints, and the policy choices likely to shape future trajectories. The paper proceeds as follows. Section 2 briefly reviews the literature on FDI and development and then focuses on Africa's specific experience, highlighting its persistent marginalization within global investment flows. Section 3 examines the dynamics of Africa–Europe economic relations within an increasingly multipolar geopolitical context, assessing Europe's comparative advantages and structural constraints vis-à-vis other major global actors. Section 4 explores the implications for European Union (EU) policy, emphasizing the need to promote joint Africa–Europe development while addressing

¹ Consistent with Narula and Dunning's (2010) framework, both inward and outward FDI are understood to contribute to economic development, albeit at distinct stages of a country's evolutionary trajectory. However, unlike the historical experience of East Asian economies, the vast majority of African countries appear not to have entered the virtuous cycle linking outward FDI to domestic capability formation and sustained development. According to UNCTAD data, Africa's share of global outward FDI stock declined from 0.94% in 1990 to 0.63% in 2024. Despite a more than tenfold increase in nominal terms, Africa's outward FDI displays only minimal dynamism, thereby reinforcing the rationale for this paper's focus on inward investment.

the risk of a gradual erosion of Europe's relative influence. Section 5 concludes with the main findings and outlines directions for future research.

2 Inward FDI and growth: evidence from Africa

The role of global FDI in shaping the development trajectories of low- and middle-income countries has been the focus of extensive research (Ofosu-Mensah et al., 2022, for a survey). Baldwin (2012, p. 2) provides one of the most emphatic assessments, noting that «*global supply chains have transformed the world. They revolutionised development options facing poor nations – now they can join supply chains rather than having to invest decades in building their own. Offshoring of labour-intensive manufacturing stages and the attendant international mobility of technology launched era-defining growth in emerging markets – a change that fosters and is fostered by domestic policy reform ... a reversal-of-fortunes that constitutes perhaps the most momentous global economic change in the last 100 years*».

Yet, critical scholarship on globalization emphasizes that this transformation has been uneven—marked by persistent economic and social disparities across regions, countries, and social groups—and far from linear. It has often intensified the ‘anarchy’ of international economic relations, fueling rivalries among both states and firms (Rodrik, 2008; Stiglitz, 2017; Williamson, 2005). Moreover, the period following the 2007–2008 financial crisis has witnessed mounting evidence of systemic instability and the emergence of more conflictual manifestations of globalization (Mariotti, 2024). Within this complex global context, the relationship between FDI and economic growth in developing countries has been the focus of extensive empirical research, with econometric models providing the dominant analytical lens. In fact, despite some differences due to contexts-specific characteristics, the literature generally agrees that in developing economies, inward FDI and economic growth reinforce one another in a mutually beneficial cycle (Apergis et al., 2008; Basu et al., 2003; Chanegriha et al., 2020; Gui-Diby, 2014; Hansen & Rand, 2006; Irshad & Qayed, 2022; Mahmoodi & Mahmoodi, 2016; Nupehewa et al., 2022; Omri et al., 2014; Tu, 2024; Zongo et al., 2024).

At the same time, the literature consistently highlights that FDI-driven growth cannot be taken for granted. Its developmental benefits depend on the presence of conducive domestic conditions (Islam & Beloucif, 2024). Evidence shows that inward FDI yields stronger and more sustained growth when supported by enabling factors such as human capital (Borensztein et al., 1998), financial development (Alfaro et al., 2004), trade openness (Balasubramanyam et al., 1996), a solid manufacturing base (Emako et al., 2022), and institutional quality (D'Amelio et al., 2016; Herzer, 2010). When these factors are present, FDI can serve as a powerful catalyst for growth; in their absence, its developmental impact tends to be limited or uncertain.

In this context, Africa emerges as an exception, both with regard to the volume and composition of inward FDI and the latter's effects on domestic growth. Africa's relative position within the developing world is remarkable. Table 1 shows that, as of 2023, Africa's inward FDI stock per capita is only one-sixth that of developing countries in the Americas and roughly one-third that of developing regions in Asia

Table 1 Inward FDI stock per capita (US dollars at current prices per capita), 2023

	US \$	Index ¹
World	6131	867
Africa	707	100
Northern Africa	1325	187
Sub-Saharan Africa	568	80
Eastern Africa	413	58
Middle Africa	651	92
Southern Africa	1944	275
Western Africa	473	67
Americas	17,022	2408
Northern America	37,838	5352
Latin America and the Caribbean	4603	651
Asia	2650	375
Europe	23,053	3261
Oceania	20,783	2940
Developing economies		
World	2354	333
Africa	707	100
Americas	4603	651
Asia	2568	363
Oceania	2368	335

Fonte: UNCTAD database

¹Africa = 100

and Oceania. The disparity is even more pronounced within Sub-Saharan Africa: in Eastern and Western Africa, inward FDI stock per capita amounts to less than two-thirds of the already modest continental average.

Such a limited attractiveness is compounded by the peculiar sectoral structure of Africa's inward FDI stock. Signé et al. (2025) estimate that nearly three-quarters is concentrated in the cluster of extractive industries. Although this figure may be somewhat overstated, comparative analyses of greenfield investments across developing regions confirm Africa's exceptionality—especially the marginal role of manufacturing. Table 2 presents an overview of the distribution of announced investment projects (2022–2023) across the primary, manufacturing, and services sectors in Africa, developing Asia, and Latin America and the Caribbean. In Africa, manufacturing projects accounted for only 14% of total announced investment value, compared with 48% in developing Asia and 39% in Latin America and the Caribbean. By contrast, nearly 75% of the value of greenfield projects in Africa was concentrated in services, far exceeding the corresponding shares of 46% in developing Asia and 38% in Latin America and the Caribbean. The divergence is particularly striking in high-technology and advanced manufacturing: the combined share of electronics and electrical equipment, automotive, and information and communication technology projects amounted to just 8% in Africa, compared with 34% in developing Asia and 23% in Latin America and the Caribbean.

Elizabeth Asiedu and colleagues (Asiedu, 2002, 2004; Asiedu et al., 2015) have examined the growth implications of extractive versus manufacturing FDI in Africa, underscoring their interdependent dynamics. First, extractive investment has generated very limited local employment, mostly low-skilled and with few transferable skills, while establishing weak vertical and horizontal linkages with the broader

Table 2 Value of announced greenfield projects by developing economy and sector, two-year period, 2022–2023

Sector	World			Africa			Developing Asia			Latin America and Caribbean		
	Value (US \$ bn)	Sector share (%)	World share (%)	Value (US \$ bn)	Sector share (%)	World share (%)	Value (US \$ bn)	Sector share (%)	World share (%)	Value (US \$ bn)	Sector share (%)	World share (%)
Total	2689	100	100	371	100	13.80	764	100	28.41	234	100	8.7
Primary	174	6.47	100	39	10.48	22.33	49	6.41	28.16	54	22.84	31.00
Manufacturing	1096	40.76	100	52	13.91	4.71	364	47.64	33.21	92	39.24	8.39
Services	1419	52.77	100	280	75.61	19.77	350	45.81	24.68	89	37.92	6.27
High-tech and advanced manufacturing (Top 3 sectors)	789	29.34	100	29	7.82	3.68	259	33.90	32.82	54	23.10	6.84
Electronics and electrical equipment	398	14.8	100	8	2.06	2.00	128	16.75	32.16	8	3.30	2.00
Information and communication	239	8.89	100	16	4.31	6.69	82	10.73	34.31	18	7.86	7.53
Automotive	152	5.65	100	5	1.35	3.29	49	6.37	32.24	28	12.06	18.42

Fonte: UNCTAD, based on information from The Financial Times/FDI Markets and Refinitiv

domestic economy. Second, natural resource dependence tends to crowd out manufacturing investment through the so-called ‘Dutch disease’: resource exports drive currency appreciation, eroding competitiveness in tradable sectors, discouraging export-oriented projects, and contributing to deindustrialisation and premature shifts toward services. Third, competition over resource rents has frequently fuelled civil conflict, creating high-risk business environments and undermining institutional quality—conditions that further deter investors. These challenges are particularly acute in manufacturing, where investment is highly footloose, leaving African economies especially vulnerable to competition from other developing regions.

The modest scale of manufacturing FDI in Africa corresponds to a broader pattern of economic growth and transformation that has not been driven by manufacturing. Manufacturing accounts for less than 15% of the continent’s GDP and only 11% of total employment. Africa’s share of global manufacturing has declined from 3% in the 1970s to less than 2% in 2023 (Ngundu, 2025; Signé et al., 2025). A number of countries have experienced premature deindustrialization since the 1990s, following an atypical model of service-led growth in which economies shifted directly from agriculture into low-value traditional services (Grabowski & Self, 2025). The pronounced fragility of Africa’s manufacturing sector constitutes a central dimension of the continent’s economic atypicality, as manufacturing continues in the twenty-first century to serve as a primary engine of human capital formation in emerging economies (Attiah, 2019; Kruse et al., 2022; Szirmai & Verspagen, 2015). The accumulation of human capital, in turn, underpins endogenous advances in productivity and innovation, while simultaneously generating positive externalities that extend to sectors such as energy, mining, and large-scale infrastructure.

An optimistic—though arguably wishful—interpretation of this structural weakness has emerged. Rodrik (2018b) argues that African economies must chart a development path distinct from the industrialization-driven ‘miracles’ of earlier periods, potentially grounded in agriculture or services. Building upon this proposition, and considering the growing footprint of major technology corporations—such as Microsoft, Google, Meta, Amazon, and Apple, alongside newer entrants like ByteDance and leading fintech firms—recent scholarship emphasizes Africa’s increasing specialization in services, largely facilitated by inward FDI. From this perspective, the continent is portrayed as possessing the potential to emerge as a global hub for a diverse array of services, encompassing sectors from tourism to ICT (Sawadogo et al., 2025; Singh et al., 2025).² Conversely, other scholars adopt a more critical stance, interpreting this development as a contemporary manifestation of neo-colonial dependency in advanced services, whereby global markets are increasingly consolidated under the control of a small number of dominant international actors (Agbaenyi & Moses-Yerima, 2025; Nothias, 2025).³ Furthermore, the spatial distribution of these high

² Alternatively, Nachum (2025) applies Rodrik’s framework to the agribusiness sector, arguing that Africa’s diverse terrain and climatic endowments confer substantial comparative advantages in global markets. The author advances a policy agenda aimed at addressing the structural and institutional barriers that still constrain the continent’s ability to expand agribusiness exports and fully realize this potential.

³ Within this debate, large technology companies are often two-faced actors: on the one hand, they exploit Africa’s fragmentation when it facilitates regulatory arbitrage in taxation, data governance, and competition; on the other hand, they advocate for harmonization or continental regulation when this reduces trans-

value-added activities—alongside others such as R&D centers and MNE headquarters—remains highly uneven. These activities are predominantly concentrated in a limited set of major urban centers, notably Johannesburg and Cape Town, Nairobi, Lagos, Accra, and Cairo, while extensive peripheral regions remain largely excluded. This pronounced spatial fragmentation constrains the diffusion of developmental benefits through spillover effects (Castellani et al., 2025).⁴

Indeed, Africa's atypical development path has, to date, limited the continent's ability to capture the productivity gains and employment benefits historically associated with manufacturing-led industrialization. Several structural constraints underpin Africa's increasing reliance on service-led growth and the tendency toward premature deindustrialization, namely, persistent infrastructure deficits, often exacerbated by inadequate regulatory frameworks and by interstate conflicts,⁵ human capital and technological gaps, limited access to finance, and complex business environments (Ngundu, 2025). Particularly relevant in this regard is the circular relationship between Africa's growth model and the sectoral composition of inward FDI, as previously shown.

Although the role of efficient modern services as a prerequisite for industrial growth is beyond dispute, the international literature cautions that an overreliance on FDI in services, at the expense of other sectors, undermines the prospects for sustainable long-term growth. Studies on sector-specific effects of FDI in developing countries (Aykut & Sayek, 2007; Emako et al., 2022), as well as specifically in Africa (Chijioke, 2023a, b; Idun et al., 2024), find that inward FDI in manufacturing exerts a positive and statistically significant influence on economic growth, whereas inward FDI in services has a statistically significant negative impact, and inward FDI in the primary sector has mixed or negligible effects.

Scholars have proposed general explanations for these results, both general and specific to Africa (Ameyaw & Panibratov, 2025, for a literature review). Among the general mechanisms are:

- The non-tradable nature of many service-sector investments (e.g., retail, real estate, domestic services), which generate limited foreign exchange and rarely boost exports, thus providing weaker stimuli to economic growth;
- Weak backward and forward linkages to the broader economy;
- Crowding out of domestic investment or increased competition for local firms without corresponding technology spillovers or productivity gains, thereby con-

action costs and expands market access—developments that privilege corporate interests over Africa's long-term digital sovereignty (Georgieva & Kigwiru, 2022; Venske, 2023; Vitus, 2025).

⁴ These cities anchor the continent's tech corridors — South (South Africa), East (Kenya), West (Nigeria/Ghana), and North (Egypt).

⁵ A prominent example is the Grand Ethiopian Renaissance Dam, constructed for hydroelectric power generation and inaugurated in September 2025. The project was undertaken by the Italian firm Webuild (formerly Salini Impregilo), with participation from Chinese companies including China Gezhouba Group and Voith Hydro Shanghai. Its completion was significantly delayed relative to the commencement of construction in 2011, primarily due to regional tensions among Ethiopia, Egypt, and Sudan. The latter two countries expressed concern over the potential disruption of Nile water flows, which account for approximately 90% and 70% of their domestic water supplies, respectively.

straining domestic enterprise development;

- Large-scale repatriation of profits by foreign service firms, limiting profit retention within host economies;
- Deterioration of trade balances, as foreign service firms often increase imports or displace domestic capital formation, slowing overall growth;
- The weak competitive environment, coupled with limited regulatory capacity.

In the African context, the primary source of the adverse effects associated with service-sector FDI appears to stem from the high degree of market concentration characterizing many advanced service industries—such as telecommunications, finance, logistics, and utilities—where large foreign corporations exercise substantial market power. This concentration facilitates regulatory capture by dominant foreign providers, enabling them to restrict market entry, influence normative frameworks to their advantage, and maintain high switching costs, thereby entrenching their market dominance (Cherif et al., 2020). Rather than generating positive externalities, these conditions tend to reinforce the consolidation of foreign investor power, crowd out domestic enterprises (Diallo et al., 2021), and constrain the diffusion of technology and managerial know-how (Farole & Winkler, 2014). Collectively, these dynamics substantially diminish the long-term developmental returns of FDI within Africa's service sector.

Against this otherwise adverse backdrop, a few recent trends offer some room for cautious optimism. Global FDI flows declined by 11% in 2024, to USD 1.5 trillion, yet this aggregate figure conceals stark regional differences. Africa recorded a remarkable 75% increase, reaching an all-time high for FDI inflows to the continent. This sharp rise was driven primarily by a single megaproject—the USD 35 billion Ras El-Hekma urban development in Egypt. However, even excluding this exceptional project, the region still registered a 12% increase. Africa's share of global FDI inflows thus rose to around 6% (from 4% the previous year), while its share of FDI to developing economies increased to 11% (from 6%). Inflows expanded across most of the continent, with North Africa confirming its role as the principal growth engine. The main sectors attracting investment were as follows (UNCTAD, 2025):

- Renewable energy and green infrastructure: substantial FDI into solar, wind, geothermal, and green hydrogen projects;
- Digital economy: growing investment by global technology companies and venture capital in fintech, mobile telecommunications, e-commerce, software, and IT services;
- Natural resources: rising demand for critical minerals (cobalt, lithium, copper, and rare earths) driving new investments in mining and refining to support global electric vehicle and renewable energy supply chains, alongside continuing oil and gas projects linked to new discoveries and Europe's search for alternative suppliers;
- Agribusiness and consumer industries: foreign investment in agritech ventures, large-scale farming, food processing, and agricultural supply chains, capitalizing on Africa's 60% share of the world's uncultivated arable land; at the same time, consumer-facing sectors—such as beverages, personal care, and retail—are ex-

panding in response to Africa's growing urban middle class, with multinationals increasingly viewing the continent as the last major emerging consumer market;

- Automotive industry in North Africa: Morocco, in particular, has attracted car assembly investment and recently secured a major Chinese commitment to build one of the world's largest electric vehicle battery plants.

This pattern does not point to any radical shift in the investment preferences of international actors, as it remains largely consistent with past trends. It does, however, reveal signs of renewed dynamism on the continent—in sectors such as batteries, energy-related industries, and consumer products—that hold the potential to stimulate broader structural transformations.

3 The position of Europe in the new scramble for Africa

3.1 Europe vs. other global powers: comparative advantages and disadvantages

Assessing the extent to which renewed FDI strategies in Africa—advanced by both state and private actors from the world's major powers—can catalyze industrial transformation and improve social welfare, thereby generating positive-sum outcomes, requires situating the inquiry within the broader geopolitical and geoeconomic dynamics of the 'new scramble for Africa' (Carmody, 2011). Importantly, African states can no longer be regarded as passive recipients of external pressures; rather, they increasingly transform heightened international engagement into strategic leverage, asserting their interests with growing autonomy and agency within an emerging multipolar order (Woldearegay, 2024; Vasiliev et al., 2023; Zeleza, 2025).

Within this evolving context, Europe's position reflects a complex interplay between enduring structural advantages and persistent vulnerabilities vis-à-vis China, Russia, and the US. Unlike these major powers, the EU is neither a unitary nor a federal state but a confederal 'union of states,' wherein member governments retain significant political autonomy and sovereignty. Nevertheless, the EU's historical, geographical, and institutional linkages with Africa represent a distinctive configuration of opportunities and constraints (Carbone, 2022; Che & Bodomo, 2023; Fituni, 2021). These dynamics intersect with wider scholarly debates on dependency and post-dependency (Amin, 1976; Carmody, 2020), the evolving structure of multipolarity (Acharya, 2017; Mariotti, 2024), and the rise of geoeconomics as a mode of statecraft (Blackwill & Harris, 2016). Furthermore, the strategic value of Europe's assets is increasingly circumscribed by the assertive postures of competing powers and by Africa's expanding capacity to shape external engagements to its advantage (Bourgeois et al., 2020; Gavin, 2021; Houdaigui, 2023; Kareem, 2025; Oloruntoaba et al., 2023; Wamboye & Tiruneh, 2017).

From a *geoeconomic perspective*, Europe's proximity to Africa remains a comparative advantage. Lower trade costs, opportunities for regional energy and transport integration, and dense people-to-people connections provide Europe with forms of embeddedness that distant powers cannot replicate. Equally, Europe is compelled to respond directly to negative externalities generated by African instability—migra-

tion, terrorism, piracy, or climate shocks—illustrating the tight coupling of geoeconomics and geopolitics in Euro-African relations.

Historical and cultural legacies provide both connective tissue and enduring liabilities. The linguistic, legal, and institutional continuities established during colonialism underpin contemporary cooperation, from the Francophonie and Commonwealth to diaspora networks that facilitate transnational flows of capital, culture, and political influence. Yet, from a dependency-theory lens, these continuities can also reproduce asymmetric relationships (Acemoglu et al., 2001), reinforcing perceptions of neo-colonialism and paternalism that competitors such as China and Russia skillfully exploit (van de Walle et al., 2020; Odijie, 2022).

Europe's *institutional and normative presence* is another key distinguishing factor. The EU has developed dense architectures of engagement—from the Cotonou Agreement to the Global Gateway initiative—that structure dialogue and investment. Europe's projection of soft power through norms of governance, human rights, sustainability, and regulatory alignment reflects what Manners (2002) termed 'normative power Europe.' For African elites, these norms can serve as resources for state-building and legitimation, though they may also be perceived as intrusive forms of conditionality.⁶

Economically, Europe remains Africa's largest trading partner and investor, surpassing the US, Russia, and even China in aggregate stock values, while also remaining the primary provider of development aid. This suggests continuity with earlier debates on interdependence and asymmetry, where Europe combines market access (e.g., the 'Everything But Arms' initiative) with extensive corporate presence in banking, telecommunications, and energy. From a geoeconomic standpoint, these structural linkages constitute significant leverage, though they are increasingly sought after and competed over by China's infrastructure-driven strategy.

Security ties further illustrate Europe's entanglement in Africa's stability. European countries' military deployments—encompassing bases, missions, and naval operations—embody the interplay between neorealist imperatives (threat containment, territorial security) and liberal-institutionalist commitments (peacekeeping, capacity-building). Yet, compared to Russia's provision of regime security through mercenary groups, or the US's global force projection, Europe's security posture remains fragmented and uneven.

When assessed comparatively, Europe retains *distinctive advantages* (Table 3). Unlike China, it couples investment with governance and regulatory support, appealing to African states concerned with long-term institutional consolidation. Unlike Russia, it offers durable and legitimate economic engagement rather than transactional security alliances. Unlike the US, it maintains deeper cultural, migratory, and commercial linkages, and is less constrained by global great-power rivalries. These features potentially position Europe as a credible long-term partner for inclusive African development.

⁶ The prominence of African students in European universities exemplifies the long-term cultivation of epistemic and elite networks that, from a constructivist perspective, reinforce identity-based linkages and policy alignment.

Table 3 Comparative advantages and disadvantages of great powers in relations with Africa

Dimension	Europe (EU)	China	U.S.	Russia	Overall Balance
Governance and political system	Confederal union of states	Unitary state	Federal state with centralized authority	Centralized state with federal façade	Europe: □; Others: ■
Geography and proximity	Close; short transport routes, pipelines, Mediterranean linkages	Distant; long shipping routes	Very distant; costly logistics	Distant; limited advantage	Europe: ■; Others: □
Historical and cultural linkages	Strong colonial-era ties; shared languages & institutions	Minimal; recent engagement	Limited; English/Cold War ties	Soviet-era ties (Angola, Mozambique)	Europe: ■; U.S.: / Russia: ■; China: □
Institutionalized dialogue	Dense AU–EU frameworks, trade agreements	Bilateral, ad hoc	Some unilateral frameworks (AGOA)	Weak; transactional	Europe: ■; U.S.: ■; China/ Russia: □
Development finance and aid	Largest donor; blended finance (EIB, EDF, Global Gateway)	Infrastructure loans (Belt & Road)	USAID projects; smaller scale	Very limited; mostly security deals	Europe: ■; China/U.S.: □; Russia: □
Market attractiveness and access	Preferential EU market access (EBA/GSP+)	Africa's trade deficit (raw material exports, manufactured imports)	Large market, but restricted access	Minimal market pull	Europe: ■; U.S.: ■; China/ Russia: □
Regulatory and normative power	Sets global norms: environment, ESG, data	Exports without adherence to international norms	Standards matter, less systemic	Minimal	Europe: ■; U.S.: ■; China/ Russia: □
Green transition and energy synergies	Cooperation on renewables, hydrogen	Some solar/hydro projects	Oil/gas focus; green not systemic	Hydrocarbons-focused	Europe: ■; China/U.S.: ■; Russia: □
Security and military engagement	Longstanding missions (Sahel, Horn, Mediterranean) under recalibration	Small but growing presence	Strong via AFRICOM	Wagner + arms deals; transactional	Europe: ■; U.S.: ■; China/ Russia: ■
Soft power and education	Erasmus+, scholarships, cultural diplomacy	Confucius Institutes; growing	Universities attractive; limited scholarships	Weak	Europe: ■; China/U.S.: ■; Russia: □

Table 3 (continued)

Dimension	Europe (EU)	China	U.S.	Russia	Overall Balance
Image and perception	Burdened by colonial legacy, migration politics	Seen as infra-structure/growth partner	Security partner; sometimes unilateral	Appeals to anti-West rhetoric; limited trust	Europe: □; Others: ■
Role in multi-polar order	Less hegemonic; potential mediator	Rising power; sometimes resented	Polarizing; tied to great power rivalry	Opportunistic spoiler	Europe: ■; China/U.S.: □; Russia: ■

AFRICOM United States Africa Command (US military command operations, security, and training), *AGOA* African Growth and Opportunity Act (US trade act granting African countries preferential access to the US market), *AU* African Union, *EBA* Everything But Arms (EU trade scheme granting developing countries duty-free and quota-free access to the EU market for all products except arms and ammunition), *EIB* European Investment Bank, *EDF* European Development (EU cooperation with African, Caribbean, and Pacific countries), *EPAs* Economic Partnership Agreements (EU and African, Caribbean, and Pacific countries), *CBAM* Carbon Border Adjustment Mechanism (EU carbon tax), *Global Gateway* EU initiative for international development and connectivity, *GSP+* Generalised Scheme of Preferences Plus (A preferential trade scheme for developing countries according to sustainable development and good governance criteria), *USAID* United States Agency for International Development

■ Clear advantage/strong influence; ■ Moderate advantage/mixed influence; □ Disadvantage or weak advantage/limited influence

Yet, critical *countervailing dynamics* undermine this position. Although the impact of *colonial legacies* has diminished over time (Maseland, 2018), they continue to foster mistrust, resentment, and anti-European sentiment. In many African states, partnerships with China or Russia are attractive precisely because these actors are perceived as non-colonial powers (van de Walle et al., 2020). Moreover, the conditionalities attached to European aid—particularly those related to governance, human rights, and institutional reforms—reinforce perceptions of asymmetry and neo-colonialism by sustaining the view that Europe seeks to impose its terms. By contrast, China’s investment model, often characterized as ‘no strings attached,’ is regarded as less intrusive and therefore more appealing (Odijie, 2022).

Economic competition is also intensifying: China’s project scale and speed contrast sharply with the EU’s fragmented and bureaucratic disbursement mechanisms (Shikwati et al., 2022; Yang, 2024). Russia leverages its anti-imperialist discourse and flexible security partnerships (via Wagner and other means) without governance conditions to appeal to regimes under pressure. The US, meanwhile, commands enduring advantages in digital technology, higher education, and global strategic projection.

Most fundamentally, Europe’s *internal fragmentation* compounds these external challenges. Unlike China, Russia, or the US, the EU is not a unified state but a union of sovereign Member States with autonomous authority. This dispersed decision-making structure severely undermines Europe’s ability to act strategically and consistently. Divergent national preferences routinely obstruct common positions, delay policy responses, and generate contradictions between EU-level initiatives and member-state actions. In trade, migration, and security, such incoherence weakens Europe’s credibility and fuels African critiques of European hypocrisy. In relative

terms, the absence of a centralized authority robs Europe of the strategic coherence, financial capacity, and military cohesion that its principal competitors command. As a result, in a multipolar order the EU fails to constitute itself as a genuine ‘pole,’ its considerable economic strength repeatedly neutralized by entrenched political weakness.

Finally, Africa increasingly asserts its bargaining power through strategies of *multi-alignment* and the strengthening of continental institutions such as the African Union and the African Continental Free Trade Area (AfCFTA). From a post-dependency perspective, this reflects a transition from asymmetry to negotiated interdependence, in which Europe is one partner among many rather than the indispensable interlocutor (Staeger, 2023).

In sum, Europe’s position in the new scramble for Africa encapsulates the interplay between historical legacies, structural assets, and evolving power dynamics. Its geoeconomic and geopolitical advantages remain substantial, yet no longer decisive amid the rise of more agile competitors and a more assertive Africa. Euro–African relations exemplify the broader reconfiguration of dependency within a multipolar system: Europe retains embedded influence but must recalibrate its strategies to sustain relevance in an environment increasingly shaped by geoeconomic rivalry, multipolar competition, and African agency.

Crucially, the EU’s long-term relevance will hinge on its capacity to overcome the institutional fragmentation inherent in its quasi-confederal configuration—a structure that constrains coherent policy formulation and implementation. Limited legislative competences and dependence on Member States for enforcement—through national transposition and judicial cooperation—undermine institutional effectiveness. These deficiencies underscore the need for a paradigmatic shift toward a federal governance model endowed with full legislative and enforcement authority. Without such capacity, EU policies risk continued fragmentation; with it, the Union could more effectively translate its economic weight into sustained political and institutional influence.

Conditioned by this institutional imperative, the central takeaway is that if global powers are competing for influence in Africa, and if Africa continues to require substantial external engagement to overcome structural constraints to growth and industrialization, then Europe is uniquely positioned to act as both player and partner in the pursuit of mutual interests. Leveraging manufacturing FDI—within the framework of the inadequacies discussed in Sect. 2—is essential to supporting Africa’s endogenous development and international integration. It is equally vital to fostering a climate of trust and a level playing field capable of transcending colonial legacies and mitigating neo-colonial anxieties that continue to complicate Euro–African relations, while simultaneously providing Europe with a renewed entry point that amplifies the relational advantages it still commands.

3.2 Europe vs. China: two different models of engagement in Africa

A substantial body of scholarship identifies Europe and China as the principal external actors shaping Africa’s economic trajectory (Ahrens & Kalkschmied, 2021; Banerjee, 2025; Che & Bodomo, 2023; Foretia et al., 2024; Karkare et al., 2020;

Small, 2020). Both are viewed as capable of driving the continent's growth, though through distinct strategies and modes of engagement. A detailed comparison between the two illuminates Europe's relative geoeconomic strengths as well as its geopolitical limitations.

Since the end of the Second World War, China has cultivated deep economic ties with Africa. Yet, when measured against Africa–Europe relations, Europe has consistently remained the more significant partner in both trade and FDI, generally offering more favorable outcomes for African economies.

In trade, Africa registered a surplus with the EU of approximately USD 22.4 billion in 2024 (exports: 188.5 billion; imports: 166.1 billion). By contrast, Africa ran a deficit of USD 62 billion with China (exports: 116.8 billion; imports: 178.8 billion). This asymmetry reflects a persistent structural disadvantage: while China's demand for fossil fuels, metals, raw materials, and food remains high, its industrial upgrading—exemplified by the 'New Production Forces' initiative—suggests that the imbalance is likely to endure (García-Herrero, 2024).

Africa's trade surplus with Europe is largely attributable to the EU's dependence on African oil and natural gas, a reliance that intensified after Europe's pivot away from Russian supplies. EU exports to Africa are concentrated in medium- to high-technology goods, underscoring the comparative advantage of European industries. By contrast, China's exports span a broad spectrum—from low-cost, labor-intensive goods to higher value-added products—intensifying competition for African firms across diverse sectors.

In terms of investment, Europe is by far the dominant external actor. In 2023, EU member states collectively held an FDI stock of USD 257 billion in Africa; when the UK's USD 58 billion is included, the EU+UK total reaches USD 315 billion (European Council of the European Union, 2025). China's FDI stock, at USD 42 billion (UNCTAD, 2025), amounts to roughly one-sixth of this figure. Chinese FDI grew rapidly in the mid-2010s but has since slowed and remains insufficient to offset Africa's persistent trade deficit with China. Although Beijing has announced ambitions to expand its manufacturing investments, tangible results remain limited (García-Herrero, 2024).⁷

Instead, China's economic presence has been driven by loans, especially for energy, transport, ICT, and finance. Between 2000 and 2023, Chinese institutions provided about USD 182 billion in loans to 49 African countries and seven regional organizations, accounting for nearly one-fifth of Africa's external debt (Afreximbank Research and International Cooperation, 2024; Harcourt et al., 2025). By comparison, EU+UK loans over the same period were estimated at no more than USD 60 billion (EIB, 2024). While Chinese lending has accelerated infrastructure development, concerns have emerged over rising debt burdens and limited sustainability, often discussed under the rubric of 'debt-trap diplomacy' (Brautigam, 2020; Himmer & Rod, 2022; Horn et al., 2021; Mutai et al., 2024).

These dynamics highlight two distinct models of engagement. The European approach, centered on FDI, fosters long-term capital inflows, enterprise creation, technology transfer, and cross-continental integration, but also carries risks of foreign

⁷ Apart from isolated examples—such as the automotive plant in Morocco mentioned in Sect. 2.

control and profit repatriation (Ahrens & Kalkschmied, 2021; Zreik, 2021). China's model, by contrast, prioritizes loans and large-scale infrastructure, producing visible short-term assets such as ports, roads, and power facilities, but relies heavily on Chinese firms and expatriate labor, often resulting in 'white elephant' projects where local maintenance capacity is limited (Medinilla et al., 2022; Shikwati et al., 2022).

The relative effectiveness of these models depends on local conditions. Countries with robust governance and absorptive capacity benefit most from FDI, while those with acute infrastructure deficits may gain from Chinese loans in the short term. In weak governance contexts, however, both approaches risk exacerbating vulnerabilities (Brautigam, 2020). What remains clear is that Europe's investment scale dwarfs that of China, positioning the EU as the primary driver of productive capitalization—more gradual and incremental but structurally solid—while China functions as an infrastructure accelerator—rapid but debt-intensive, with more limited developmental spillovers.

Taken together, the evidence suggests that Africa has thus far derived greater structural benefits from its engagement with Europe than with China. For the EU, these ties are equally vital, embedded in both geographic proximity and global competition over emerging markets. Yet Europe has struggled to translate its economic weight into equivalent geopolitical influence. A more coherent and coordinated European strategy would not only enhance the Union's influence but also provide African economies with more consistent support in diversifying production and reducing dependence on primary commodities. Structural transformation of this kind, long recognized as central to sustainable development, is precisely what China's approach, despite its visibility, has yet to deliver.

4 Policy proposals for maximizing the Africa-Europe mutual benefits

This section explores how Africa–Europe mutual benefits can be maximized through the expansion of EU inward FDI and the qualitative enhancement of its developmental impact. A crucial premise, as evidenced in the preceding section, is that the effectiveness of these policy proposals depends on the consolidation of a more united and genuinely federal Europe.

The analysis proceeds along two complementary axes: (1) policy measures that *directly affect* FDI flows, and (2) *broader structural and strategic conditions* that shape investment environments. Together, these dimensions form a coherent framework for bridging investment gaps, improving the conditions under which investments operate, and ultimately fostering sustainable development, inclusive growth, and mutually beneficial Africa–Europe relations.

4.1 Policy measures for expanding and upgrading FDI flows

Africa's inward FDI stock per capita remains significantly lower than that of other developing regions, particularly in manufacturing and related activities (see Sect. 2). Expanding such inflows is therefore critical to advancing industrialization, facilitating technology diffusion, and deepening integration into GVCs, while simultane-

ously promoting functional upgrading toward higher value-added segments. Yet the developmental impact of FDI depends not only on its volume but also on sectoral orientation, the extent of positive externalities, and local absorptive capacity (Alfaro & Charlton, 2007; OECD, 2019). A dual strategy that enhances both the quantity and quality of FDI is therefore essential.

4.1.1 Sectoral and strategic priorities

FDI in manufacturing constitutes a critical lever for reducing Africa's structural dependence on extractive industries and fostering broader processes of economic transformation. In the short term, strategically channeling investment into labor-intensive sectors offers an opportunity to capitalize on the continent's demographic dividend. Over the medium term, however, manufacturing FDI should serve as a foundation for diversification into higher value-added activities, particularly those that support the ongoing green and digital transitions. Enhanced integration into knowledge-intensive segments of GVCs represents a further catalyst for technological upgrading across the continent's less developed regions, with potentially significant implications for reducing intra-national income inequality (Coveri et al., 2024). Importantly, such integration generates mutual benefits: it contributes to strengthening supply-chain resilience in Europe while simultaneously facilitating the incorporation of African economies into future-oriented industries—underscoring the reciprocal gains associated with deeper manufacturing FDI and GVC participation.

Within this framework, emerging evidence suggests that greenfield investment projects have not consistently generated the anticipated employment outcomes (Lake-mann et al., 2025). This underscores the importance of complementary national policies that explicitly link investment incentives to job creation, expand vocational and technical training systems, and enforce local content requirements. Moreover, greenfield investments with substantial potential for value addition, technology transfer, and economic diversification should be prioritized and supported through targeted industrial policies—such as well-designed tax incentives, strategic infrastructure development, and the streamlining of regulatory procedures.

At the same time, mergers, acquisitions, and brownfield investments can generate developmental benefits when accompanied by policies promoting profit reinvestment, skills upgrading, and technology diffusion (Narula & van der Straaten, 2021). Financial instruments such as special-purpose vehicles (SPVs) may further channel capital towards renewable energy, infrastructure, and high-value manufacturing, aligning investment flows with both sustainability objectives and broader industrial development goals, thereby reinforcing the mutually beneficial outcomes for host and home economies alike.

4.1.2 Linking FDI to domestic economies

The developmental impact of FDI depends on its integration into domestic production systems and on the capacity of local firms to absorb technology and skills. To prevent enclave dynamics (Hansen, 2014), African governments should strengthen linkages between foreign investors and domestic enterprises through supplier devel-

opment programmes, fiscal incentives for local sourcing, and investment in industrial clusters.

Collaboration platforms—such as joint ventures, innovation hubs, and business matchmaking initiatives—can further accelerate technology transfer and entrepreneurship, addressing Africa’s persistent weakness in enterprise formation (Massidda & Piras, 2024). Industrial policies should therefore incentivize multinational corporations to strengthen local linkages, support skills development, and co-invest in shared infrastructure, thereby deepening FDI spillovers.

4.1.3 From protection to facilitation and sustainability

European engagement has traditionally emphasized investment protection and dispute settlement, yet such frameworks alone have neither raised inflows nor aligned them with development goals. Facilitation measures—transparent approval systems, one-stop centers, and aftercare services—have proven more effective in low-inflow contexts (UNCTAD, 2023). Embedding sustainability obligations in these frameworks can ensure that new investments advance environmental and social objectives (Sauvant & Mann, 2019).

4.1.4 Data, accountability, and tax cooperation

Effective FDI governance requires robust data systems to track economic and social outcomes, refine policies, and ensure accountability (UNCTAD, 2023). Securing fiscal benefits is equally critical: profit shifting and base erosion diminish returns. Strengthened EU–AU cooperation on tax transparency, information exchange, and anti–base erosion measures can help ensure that rising FDI contributes to sustainable public revenues (Hearson, 2022; OECD, 2023).

4.2 Policy frameworks for strengthening structural and strategic investment conditions

While targeted measures are indispensable, their success depends on the broader structural and strategic environment. Even well-designed incentives may falter without supportive regulation, risk mitigation, and policy alignment. This section examines the wider frameworks that complement targeted instruments to foster a coherent, sustainable investment landscape.

4.2.1 Redefining the EU’s posture and strategy toward Africa

Since the early 2000s, the EU has presented its Africa policy as a ‘partnership of equals,’ signaling a shift from the traditional ‘donor–recipient’ model (Moyo, 2009). In practice, however, this rhetoric has often yielded to an interest-driven and increasingly transactional approach. Confronted with declining influence, intensified competition, and internal divisions, the EU has linked development cooperation and market access more closely to strategic and geopolitical objectives (Ling, 2024).

The conditionality model—tying aid and investment to governance or labor reforms—has lost traction as African states assert greater autonomy and turn to alternative partners such as China, the BRICS, and Gulf actors (Aguiar, 2025). To maintain relevance, the EU must abandon paternalistic practices rooted in colonial legacies and align its objectives with Africa’s demand for reciprocity, sovereignty, and industrial autonomy. Without such recalibration, Europe risks marginalization in a multipolar environment.

4.2.2 De-risking private investments

De-risking mechanisms must occupy a central place in the EU’s approach, given persistent structural constraints and perceived investment risks in African markets. Instruments such as guarantees, blended finance, political risk insurance, and public–private partnerships have expanded considerably but often underperform. EU sustainable finance regulations, by imposing stringent compliance standards, may inadvertently discourage investment, while initiatives such as the EFSD+ and Better Futures Programme continue to face implementation bottlenecks and limited alignment with African priorities (Mo Ibrahim Foundation, 2025; Siegfried et al., 2025).

To become genuinely developmental, de-risking must evolve beyond narrow financial mitigation. It should be tailored to local contexts, designed with African ownership, and embedded within broader strategies for long-term structural transformation. When linked to clear industrial and sustainability objectives, de-risking can reduce perceived risk while actively steering investment toward transformative sectors. Without such integration, however, it risks remaining a purely technical fix—protecting investors rather than catalyzing inclusive and sustainable growth.

4.2.3 Reforming treaties and financing models

A more effective de-risking agenda must be complemented by parallel reforms in investment treaties and financing models. Traditional investment treaties have often failed to attract substantial FDI while constraining host countries’ policy autonomy (Poulsen, 2015). A new generation of EU–Africa agreements should therefore combine investor confidence—through transparent and predictable dispute-resolution mechanisms—with sustainability clauses and sufficient regulatory flexibility.

In this framework, financing innovations such as blended finance, local currency lending, project-preparation facilities, and risk-sharing tools become essential complements to treaty reform. When aligned with development-oriented de-risking strategies, these instruments can mobilize private capital for infrastructure and manufacturing projects, address Africa’s most acute investment deficits, and translate financial flows into durable, mutually beneficial outcomes.

4.2.4 Coordinating complementary policies

Recalibrating Europe’s strategic posture is necessary but insufficient. The developmental effectiveness of European FDI depends on complementary policies that build absorptive capacity through education, R&D, and innovation. These must be inte-

grated into FDI strategies and coordinated with both European and African priorities. Collaboration among universities, technical institutes, investors, and governments is vital, as universities serve as hubs for knowledge creation and capacity-building.

A mission-oriented policy framework (Mazzucato, 2021) offers a promising alternative to traditional ‘market-fixing’ approaches. Rather than merely correcting failures, mission orientation establishes ambitious, time-bound goals that coordinate public and private actors toward transformative outcomes. By mobilizing resources, fostering cross-sectoral coordination, and embedding accountability, it enables FDI to drive innovation-led, socially inclusive, and sustainable development (Olabisi & Wei, 2025).

5 Conclusion

This article has examined Africa’s developmental prospects in the global economy through the lens of FDI, with particular attention to Europe’s strategic role relative to other global actors. The analysis reveals a dual reality. On the one hand, Africa possesses substantial structural potential, grounded in demographic expansion, abundant natural resources, and growing consumer markets. On the other hand, the continent remains persistently marginalized in global investment flows, both in terms of scale and sectoral distribution. Inward FDI continues to be disproportionately concentrated in extractive industries and services, while manufacturing—the sector historically most closely associated with sustained growth and structural transformation—remains underrepresented. This imbalance contributes to premature deindustrialization, constrains integration into GVCs, and generates the so-called ‘manufacturing puzzle,’ whereby productivity gains in agriculture coexist with stagnant or declining productivity in modern sectors such as manufacturing (Diao et al., 2025).

Against this backdrop, Europe occupies a distinctive position within Africa’s evolving geoeconomic landscape. Although its global influence has waned, the continent retains enduring structural advantages, including geographic proximity, deep cultural and institutional linkages, the largest stock of accumulated FDI, and long-standing trade and development partnerships. In contrast to China—whose engagement has primarily centered on infrastructure financing and resource extraction with limited spillover effects—and Russia, whose involvement has focused on security cooperation and opportunistic alliances, Europe has pursued a comparatively more integrated and balanced approach to fostering local economic growth, complemented by a more structured and institutionalized framework of cooperation. Emerging shifts in global production networks suggest that nearshoring by European firms could create new opportunities for industrial collaboration and localized value-chain integration, particularly across North Africa. Nevertheless, Europe’s structural advantages are constrained by colonial legacies, persistent perceptions of asymmetry, and the institutional fragmentation inherent in the EU’s quasi-confederal architecture (Draghi, 2024), which collectively limit its geoeconomic leverage.

Two key findings merit emphasis. First, the developmental effects of FDI in Africa are uneven: extractive- and service-sector investments have generated few linkages with the local economy, whereas manufacturing FDI has contributed positively

to industrial upgrading and employment generation. In this context, a service-led growth trajectory risks entrenching dependency and limiting long-term structural transformation, particularly due to the dominance of foreign firms in high-value services and the limited regulatory capacity of domestic institutions. Second, Europe's credibility as a long-term partner hinges on two interrelated conditions: (i) avoiding marginalization in an emerging multipolar order through deeper intra-EU coordination, and (ii) recalibrating engagement away from paternalism and conditionality toward reciprocity, support for African industrialization, and the strengthening of local absorptive capacities.

Building on this analysis, the article advances a comprehensive policy agenda to enhance reciprocal gains for both African and European stakeholders. Core areas of action include expanding and upgrading FDI, promoting job creation, developing skills, strengthening local linkages, and advancing sustainability, supported by de-risking measures, treaty reforms, and mission-oriented coordination. Europe's engagement should be carefully aligned with African development priorities to foster inclusive, equitable, and development-oriented outcomes.

To enhance the design and implementation of such policies, future research should advance in at least five directions. First, disaggregated comparative studies are needed to examine the differential developmental impacts of FDI across manufacturing sub-sectors and advanced services. Second, further work is required on institutional mechanisms—including taxation regimes, governance frameworks, and new generations of bilateral and regional treaties—that align foreign investment with domestic development objectives. Third, the evolving agency of African states and continental institutions warrants closer attention, particularly regarding how multi-alignment strategies and the African Continental Free Trade Area (AfCFTA) transform dependency into negotiated interdependence. Fourth, the concept of *Open Strategic Autonomy* has become central to European policy, reflecting the interconnection of competitiveness, sovereignty, and security within a complex global context that demands a delicate balance between openness and autonomy (Mariotti, 2025). Within this framework, EU–Africa relations are likely to evolve through hybrid scenarios, combining risks of unilateralism with prospects for deeper cooperation. Five, future research should examine governance mechanisms capable of mitigating Europe's internal fragmentation and assess whether selective frameworks, such as a 'coalition of the willing,' could consolidate Europe's international role in line with its aggregated economic weight.

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