THE EU’S ALLOCATION OF DEVELOPMENT AID – NORMATIVE OR STRATEGIC?
An analysis of aid distribution to African countries in relation to the inflow of Chinese FDI

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Abstract

Based on the European Union’s self-image of being a normative power and a ‘force for good’ in the world, this thesis examines the EU’s role as an international aid donor. The EU’s development policy has developed during the last decades, and in line with its normative self-image the EU has established a set of idealist criteria that is meant to guide its aid allocation to developing countries. However, the EU’s role in the global arena has been questioned, and the EU has been accused of not always acting according to its normative self-image. As the EU’s role in the world and as a partner to third countries is being scrutinized, new powers with pronounced strategic motives are stepping in as an alternative partner for developing countries. China’s influence on the global arena has grown exponentially the last few decades, and it has become an increasingly important partner to developing countries. This analysis uses panel data to examine how the EU’s self-proclaimed normative aid allocation to African countries are affected by the inflow of Chinese FDI to these same countries. The results presented indicate no significant relationship between Chinese FDI and EU aid allocation. However, both idealist and strategic motives are showcased in significant control variables.

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Appendix 1
1. Introduction

Since the European Union’s (EU) creation, it has expanded its reach from merely keeping the peace and nurturing growth within the European territory to influencing other parts of the world. It has been known to use its strength and influence to be a ‘force for good’ in the global arena and presents a self-image of being a normative power with the aim to spread its democratic values to third countries. The EU also boasts of being the world’s largest donor of development aid. Collectively, the EU is the biggest donor of international aid, providing over 50 billion euro each year with the aim to decrease poverty and advance global development. The EU’s allocation of development aid is one way in which the EU aims to spread its democratic values as aid often is provided with a few conditions regarding, for example, the recipient country’s democracy performance (European Commission, n.d.; Meunier & Nicolaidis 2017). However, the EU’s self-image of being the good Samaritan might be cracking. The former High Representative of the Union for Foreign Affairs and Security Policy and Commission Vice President Federica Mogherini held a speech at the 2017 Munich Security Conference in which she said:

“It is not charity: investing in development, investing in the Sustainable Development Goals, investing in humanitarian [aid], is not charity. It is an investment, a selfish investment, in our security” (Mogherini 2017).

This statement stands in stark contrast to the previously promoted self-image of being a force for good and makes one wonder what kind of role the EU inhabits as an international actor and donor.

Furthermore, scholars point to yet another disruptive fact that complicates the discussion regarding the EU’s role in the global arena. The fact that the EU could very well be on its way to lose some of its global influence, seeing that the EU might not be as wanted as a partner in development as it once was. Bodenstein, Faust and Furness (2017) and Meunier and Nicolaidis (2017) argue that influence from other emerging powers, such as China, raise new questions regarding the importance of European development aid as a tool for supporting developing countries and as a lever of influence in global affairs. China promotes development with fewer strings attached than the EU, possibly making it a more attractive partner (Bodenstein, Faust and Furness 2017; Meunier and Nicolaidis 2017). China has made huge progress in the last few
decades and has not only stepped up as a powerful actor on the world scene but also as a significant investor in African countries (Koch, 2015; Sanfilippo, 2010). Chinese Foreign Direct Investment (FDI) annual flows to Africa have been increasing steadily. From 2003 to 2018, the number has gone from 75 million US dollars to 2.7 billion US dollars, with a peak in 2008 at 5.5 billion because of a purchase of 20% of the shares in Standard Bank of South Africa made by Industrial and Commercial Bank of China. That China is becoming increasingly more involved in African countries is getting more and more apparent. Especially since 2014, when Chinese FDI flows to Africa surpassed those from the United States (US) (John Hopkins, 2020).

Scholars have started to question how this changing international landscape and how the emergence of non-western donors will affect the possibility of donors like the EU to tie political conditionality regarding, for example, democracy to aid as there is a risk it will have little traction and not provide sufficient leverage (Koch, 2015). In theory, the EU claims to be using aid as a tool to eradicate poverty and encourage democratic societies and sustainable development (European Union, 2006). However, the increasingly incoherent image presented and changing conditions on the global arena has fuelled the debate as to how well the EU sticks to its normative approach in practice. The EU’s allocation of development aid in relation to Chinese FDI provides a testing ground for the EU’s presumed normative motives in distributing aid. This study aims to answer how the EU’s aid allocation has been affected by the increase of Chinese FDI, specifically whether Chinese FDI has been countered by an increase of EU aid to maintain the normative relevance the EU wish to preserve.

1.2 Outline

To answer the question as to how the EU’s distribution of development aid has been affected by Chinese FDI, I first present the theoretical framework of the EU as an international actor and a normative power. Following that is a review of previous research regarding the EU as a global donor in general, which then narrows down to focus on aid to African countries in particular. Thereafter, the literature review turns to focus on China’s emerging power and increasingly active role in developing countries. Subsequently, the research question and hypotheses are presented. The methodological section then outlines and discusses the material and method, which is then followed by a presentation of the results. Finally, the last section concludes on how the EU’s allocation of aid has been affected by Chinese FDI and suggest possible improvements to the study and areas for further research.
2. The EU as an international actor

The EU is a one-of-a-kind entity in the international context and has come a long way since its creation as a coal and steel union after World War II. It has been described to be more than an organization but less than a nation-state because of the partial transfer of power to the supranational level from its member states. Even though the EU was recognized as an international actor in the context of the bipolar Cold War environment, it could not be considered to be an international power in the traditional sense as the traditional power concept rested on the military strength of an actor, a strength which the EU did not possess as a mainly economic union (Diez, 2013). The EU was instead placed under the US supremacy through the North Atlantic Treaty Organization (NATO). It was in the context of the Cold War environment that Duchêne (1972; 1973) first described the EU’s global influence with the concept of ‘civilian power’. He argued that civilian ways of influencing world politics had become all too important with the nuclear deadlock between the Western and Eastern blocs, as no one could be expected to cause a significant impact on the status quo using military force. Thus, as a strong economic union, the EU was able to gain a sizable amount of global influence without any considerable military capacities. However, the concept of civilian power had its critics, the most prominent one being Hedley Bull (1982). Bull (1982) stated that because of its lack of military power, the EU would remain a weak player in the international political arena as he did not consider the EU’s civilian behaviour to be a source of power (Aggestam, 2012). Bull (1982) argued that military power had not become redundant. Traditional power kept its position as the most important measure of authority as the loss of proxy wars in the Third World served as proof that the nuclear stalemate did nothing to prevent military conflict. Following the realist tradition, Bull (1982) does not acknowledge the EU to be more than an instrument of cooperation between governments since the form of power that matters is not the kind of power the EU possessed. From there, he quite drastically claims that “Europe’ is not an actor in international affairs, and does not seem likely to become one” (Bull, 1982, 151).
3. Normative power Europe

The EU’s development policy is linked to its identity as an international actor. This notion is acknowledged in article 208 of the Treaty of the Functioning of the European Union (TFEU), which will be discussed in greater detail later on in this thesis (European Union, 2012b). Because of the link between development policy and the EU’s identity as an actor in the global arena, the following chapters will focus on the EU’s identity and self-image of being a normative power and how well that perception fits in theory and in practice.

In the 1990s, the security situation in Europe went through some drastic changes. The Cold War ended, the US began to withdraw as a security guarantor, and conflicts started to emerge in the Balkans. As a result, the EU began to take steps towards shouldering a more active role in security. The Common Foreign and Security Policy (CFSP) became one of the three pillars of the EU with the signing of the Maastricht Treaty. A treaty that further paved the way for the European Security and Defence Policy (ESDP) which was launched as a part of the CFSP in 1999 (Manners, 2002; European Communities 1992). The prior debate on the EU as an international actor that centred around the concept of the EU being a civilian power became invalidated to some extent with these steps in the direction of a more traditional power. As a result of the changed circumstances, Manners (2002) directed the focus away from the civilian vs military power argument and introduced a new concept by identifying the EU as a ‘normative power’ with a distinctive approach to global politics. Aggestam (2008) states that both normative power and civilian power are concepts introduced because of the idea that the use of military power is declining. Manners (2002) no longer stresses the importance of the EU’s economic or military state-like characteristics of power and thereby distances the normative power concept from the Westphalian world view. Instead, emphasis is put on the EU’s capability to spread norms and values across the world and thereby shape the conceptions of normal (Manners, 2002). Even though other international actors also have been known to promote their own world view or norms, the US being an example (Sjursen, 2006a) – Manners (2002) argue for the EU being normatively different based on three characteristics:

- The EU’s historical context, being a peace project following World War II, opposing the nationalism of the war era.
• The EU’s hybrid polity, being an actor located between a nation-state and an international organisation that creates common principles.

• The EU’s political-legal constitution, consisting of treaties based on the normative principles of the rule of law, democracy, social justice, and human rights.

He further argues that the concept of normative power is not only an attempt to suggest that the EU is constructed on a normative basis, but that this influences it to act in a normative way in world politics (Manners, 2002). The EU’s normative basis is what defines its identity as an international actor.

“[The] most important factor shaping the international role of the EU is not what it does or what it says, but what it is” (Manners 2002, 252).
4. Normative Europe and other concepts of power

The idea of the EU being a normative power has not only inspired the EU’s self-image and perception of its position in the world, but it has also affected much of the contemporary academic literature. Diez (2005) argues that the normative power discourse created the foundation for establishing the EU’s collective identity as a global actor. Comments from the former president of the European Commission, José Manuel Barroso, reveals the incorporation of the concept into the EU’s identity. Barroso attributed the EU’s normative power to be the source of its comparative advantage in the world and, in addition, referred to the EU as “one of the most important, if not the most important, normative power in the world” (Barroso, 2010; Peterson, 2008). The EU, as a self-identified normative power, tends to describe itself as a ‘force for good’ and as an actor guided by liberal norms and values in international politics (e.g. Aggestam, 2008; Hyde-Price, 2008; Sjursen, 2006; Wood, 2009). In its communications and online presence, it presents itself accordingly, highlighting equality and human rights as its main values, and emphasises its role as a peace and democracy promoter (European Union 2019; 2020).

4.1 Normative, civilian, and traditional concepts of power

Although to better understand the EU as an actor acting normatively, it is vital to be aware of different concepts of power since the discussion regarding the normative power concept often deals with it in relation to those other power concepts.

The normative power concept’s ideational nature has caused some confusion regarding the distinction between civilian and normative power, especially as several scholars do not clearly distinguish between the two. Diez (2005) argues that these two concepts are rooted within each other and are a part of the same discourse rather than being two separate notions (Diez, 2005). Other scholars who have examined EU actorness have also melded the two concepts together instead of making a clear distinction (e.g. Hettne and Söderbaum, 2005; Sjursen, 2006a, 2006b). In a joint contribution to the research field, Diez and Manners (2007) more clearly define the differences between the two concepts of power. They state that even though it is not the concept’s primary objective, normative power does tolerate the use of military methods, which traditionally is a characteristic of the traditional power concept. The power in normative power derives from the EU’s non-material capacity to shape norms, while civilian power is dependent
on material measures of power. A normative power's actions are based on universal norms, while a civilian power comprises a self-interested actor. For civilian power, the Westphalian world view constitutes the basis, while normative power has a distinctly post-Westphalian view as it imagines a world society (Diez and Manners, 2007).

Compared to the civilian vs normative concepts’ where scholars do not always make a distinction between them, the traditional vs normative power debate is often conducted as a competition between the two. However, Smith (2011) and Whitman (2013) claims that one does not have to cancel the other one out. Whitman (2013) argues that rather than seeing normative power as a contradiction to other types of power, it is possible to view it as a new way of exercising power. That normative power is compatible with different concepts’ and could include all possible forms of exercising power is implied in its normative foundation where ‘normative action’ is the only requirement (Manners, 2002). Following this logic, the use of traditional power does not exclude the use of normative power. Since his original paper, Manners (2006) has, however, recognized the EU’s attempts at becoming an actor of more strategic nature and its new military competencies as a risk factor jeopardizing its normative power. On the other hand, he also argues that military operations could allow the EU, despite the use of traditional power methods, to maintain its normative power. This could be the case with, for example, military operations operated under a United Nations mandate carried out in critical situations with a clear normative basis (Manners, 2006). In other words, using traditional means to reach normative goals.

4.2 The realist critique of the normative power concept

The EU being a normative power is a notion that has been met with heavy criticism from a realist point of view. According to realists, security and power are the two main issues that states as the main actors in the world are concerned about. Within the global system, nation-states exist in a continuous state of ongoing competition for security. Matters such as human rights are secondary. It is not impossible to achieve cooperation, but it is hard to maintain since it only can exist if it adheres to the interest of the participating states. Therefore, seeing as the EU and other international organisations and institutions simply are a manifestation of their members’ interests, they cannot be considered actors in their own right (Hyde-Price, 2006). The view of the international system, which presumes that actions are driven by self-interest, is the core of the traditional power concept.
As Manners (2002) first presents his normative power theory, Kagan (2002) criticizes the EU’s civilian approach. He explains Europe’s influential role with its strategical geographical position during the Cold War, being strategically placed between the two great powers. Therefore, the EU’s lack of actual power, which was caused by the absence of military power, became apparent with the ending of the Cold War. For the EU to have a civilian approach is tactically motivated since that turns competition away from military capacity and into a field where the EU is more competitive (Kagan, 2002). From the realist perspective and with a similar world view as Kagan (2002), Hyde-Price (2006; 2008) criticize the normative power concept. He claims that the EU’s rise as an international authority in the bipolar environment present during the Cold War depended entirely on its possibility to exist under the security umbrella created by the US and NATO. As mentioned above, the characteristic of this world view is the perception of the EU not being an actor in its own right, but merely an instrument used by its member states to further their mutual economic interests, and to a lesser extent, collectively shape the regional environment (Hyde-Price, 2008, 2006). While he recognizes that the EU can act normatively and promote values such as democracy and human rights, these concerns are considered ‘second order’ and rank lower than more vital interests. They are not unimportant per se, but because of their second-order nature, they are repeatedly compromised on in order to strive for other objectives. Like Kagan (2002), Hyde-Price attributes the EU’s power as reliant on the surrounding security arrangements, allowing it to rise even with its limited military capacity. Within this security arrangement, the EU is, however, able to use its significant economic power to promote its norms and values. This makes the EU’s normative influence a result of its economic authority rather than a manifestation of its normative power (Hyde-Price, 2006).

According to the realist critics, the post-Westphalian view where nation-states no longer are the only actors exercising power in the globalized world is rejected. In their eyes, the notion of normative power does not matter or exist as it is traditional forms of power that defines an actor’s strength and authority. As military power concerns have risen since the Balkan wars, realists argue that the EU needs to develop its military capacities or face the risk of losing its current influence (Hyde-Price, 2006).
5. Normative power - Fact or fiction

It is uncertain whether or not the normative power concept lines up with the EU’s self-perception since Manners (2002) does not clearly state precisely what it means for the EU and its foreign policy to be normative in practice. However, most of the practical implication of being a normative power is linked to a key characteristic of normative power, namely how norms are diffused (De Zutter, 2010). In his original paper, Manners (2002) outlined six mechanisms of norm diffusion. Mechanisms that Forsberg (2011) later refined into four more concrete ways in which the EU spreads its norms. They are:

- **Persuading others**, for example, through public diplomacy, information campaigns, eloquent rhetoric, arguments, or manipulation.

- **Invoking norms** through the activation of commitments and the use of authority.

- **Shaping the discourse of what is normal**, influencing others through their adaptation to the discourse – this is similar to, but more subtle than persuasion, as it works indirectly.

- **The power of example** as the EU takes on a model role as a normative actor, establishing standards and urging imitation of its practices.

Acting on a normative basis and being able to influence norms globally, which are Manners’ (2002) two main ideas, are mirrored in these mechanisms. While the majority of the mechanisms explain different ways to influence norms, *the power of example* encapsulates the notion of the EU acting on a normative basis. This specific mechanism has been paid a lot of attention when applying the normative power concept in various studies. In these studies, it is presumed that a normative power EU bases its actions on norms and values, rather than on strategic interests (see, e.g. Sjursen, 2006a; Whitman, 2013; Youngs, 2004). For this to be legitimate, internal and external consistency is necessary in the EU’s actions as they “can only be considered norm-driven if there is an observable continuity over time and cases” (De Zutter, 2010, 1111). Hence, especially when it comes to leading by example, consistency is what grants the EU legitimacy as a normative power.

The norms of the EU are stated in the Treaty on European Union:
“The Union's action on the international scene shall be guided by the principles which have inspired its own creation, development and enlargement, and which it seeks to advance in the wider world: democracy, the rule of law, the universality and indivisibility of human rights and fundamental freedoms, respect for human dignity, the principles of equality and solidarity, and respect for the principles of the United Nations Charter and international law” (European Union, 2012a, Article 21).

However, Manners (2002) normative power theory with its normative basis creates a difficulty in its application. The normative power concept has been accused of being under-theorized. Some scholars have specifically been critical of the lack of identifying characteristics and a clear definition of the concept and what signifies ‘normative’ action (Pace, 2007; Sjursen, 2006b). Nevertheless, this could be seen as a problem connected to the theory’s normative approach rather than a fault in the theory itself. Finnemore and Sikkink (1998) define norms as “a standard of appropriate behaviour for actors with a given identity” (891). To inhabit this identity means to be dependent on a community or society, which assess its members’ ability and efforts to adapt to its norms (Finnemore and Sikkink, 1998). As there is no global society, the EU’s norms are not universal. They are, on the contrary, challenged by other international actors and occasionally also by its member states (Aggestam 2008; Diez, 2013). Based on this, ‘normative’ cannot be specified, which creates significant consequences for the validity of a Normative Power EU. For the EU to be legitimately considered a normative power, De Zutter (2010) argues that it needs other actors to acknowledge it as such. The EU’s legitimacy as a normative power will be questioned by those who oppose them if the norms propagated are not universally accepted (Aggestam 2008; Sjursen, 2006a).

The establishment of cosmopolitan law could be one way of solving this problem. This would require the EU to bind itself and others to a set of jointly agreed rules. Based on human rights, these rules would accentuate the rights of individuals over the rights of sovereign states. Rules such as this would represent universally agreed norms and criteria against which the EU could be measured as a normative power. However, cosmopolitan law is a challenge both to to create and maintain (Sjursen, 2006a).
5.1 The EU’s normative and not particularly normative actions

When scholars question the EU’s normative power motives, it is not necessarily the EU’s descriptive self-representation that is questioned, but whether this identity has a normative impact and if it significantly affects the EU’s actions in global politics (Aggestam, 2012). The existing studies of the EU’s normative actions show conflicting results, which validates the questioning of the EU’s normative approach.

To start with, there are several studies that do show signs of the EU’s normative influence and behaviour. For example, in his original paper, Manners (2002) himself describes the EU’s goal to eradicate the death penalty, where he in a case study describes the Union’s normative motives behind its actions as well as the normative global impact those actions had. Riddervold (2010) provides another example when she found that even though it went against its economic interests, the EU promoted human rights when negotiating the Maritime Labour Convention. Furthermore, Scheipers and Sicurelli (2007) analysed the behaviour of the EU in the negotiations leading up to the Kyoto Protocol and in the creation of the International Criminal Court. In these cases, the EU effectively presented itself as a leading actor in the attempt to establish common norms and as an advocate for multilateralism and binding international law. Not only that, it also made adaptations and ratifications early on of the applicable treaties and thereby followed up on its rhetoric. These actions demonstrated the EU’s credibility and consistency as a normative actor as it willingly bound itself to the norms it advocated for.

However, other scholars present evidence where strategic motives have outweighed the EU’s norms and determined EU actions. To start with, circling back to Manners’ (2002) and his example of the EU’s normative role in the pursuit to abolish the death penalty, one should note that the US, Russia and China, three countries retaining the death penalty (Amnesty international 2021), were in 2019 all part of the EU’s top five most important destinations for exported goods (European Parliament, 2020). This exposes the EU to not being particularly adamant in its norm promotion regarding the death penalty when faced with strong counterparts and where the normative motives are weighed against economic interests. This example also highlights the limited universality of the EU’s norms regarding the death penalty since they are evidently not shared by these states.
Furthermore, Wood (2009) shines a light on an example where the EU is acting strategically rather than normative when discussing the EU’s dealings with many of the members in the European Neighbourhood Policy. Many of them have rather poor human rights records, yet the EU’s strong economic relationships with these countries have led to fairly selective use of sanctions against them. He especially highlights the energy sector as an area where the EU both has limited capacity and displays weak commitment to act in line with its normative values since the EU is highly dependent on countries rich with natural resources. Because of the countries’ control of natural gas and oil, the EU cooperates with autocratic governments, thereby strengthening regimes abusing human rights. This behaviour displays a rather self-interested approach and goes against the EU’s normative self-image. Moreover, Bountagkidis, Fragkos and Frangos (2015) study motives for aid allocation to sub-Saharan countries and concludes that the EU’s portrayal as a force for good in international relations may require some cautious critique as political and strategic considerations proved to be more important than the recipient countries political institutions or policies. However, they clarify that their study does not make it possible to assert that strategic interests continuously outweigh normative motivations, as strategic and political considerations are not mutually exclusive with normative objectives. Relating to this, when studying the EU’s promotion of human rights in general, Youngs (2004) finds evidence for both strategic and normative motives and argue that in some cases, the different dynamics coexist and relate to each other. He demonstrates that the EU’s policy decisions often take human rights considerations into account but that security concerns also strategically guide funding decisions (Youngs, 2004).

Even though this is only a brief overview of the existing literature, it portrays the EU as an inconsistent normative actor. Both the EU’s devotion to its own values as well as its influence as a normative power varies depending on the specific case and policy field. In some cases, the EU has been guided by and let strategic and selfish concerns take precedence over normative ones. While in others, the EU has given priority to normative considerations over strategic ones. The practical meaning of being a normative power is possibly best depicted by Forsberg (2011) when he explains it not as an objective description of the EU as an international actor but rather as an ideal type.
6. EU development aid

The EU’s aid allocation is to a great extent connected to its normative self-image and its aim to spread its norms and values to developing countries. Aid is frequently used as a tool to provide incentives for developing countries to go through democratisation processes and improve on human rights issues and sustainable development. The EU plans and prioritises spending through different channels, budget support being one of them. It is central to the EU’s international cooperation which has made the EU the world’s top provider of budget support. Budget support entails financial transfers directly into the national treasury of the partner country in question. To receive budget support, recipient governments need to adhere to the EU’s values regarding human rights, democracy, and the rule of law. The transfers are conditional on policy dialogue and based on an assessment regarding the country’s performance in areas such as peace and democracy, eradication of poverty, and sustainable development. If a partner country fails to live up to the agreed conditions and does not reach the expected results, payments will be withheld until they do (European Commission, n.d).

6.1 The development of the EU as a multilateral aid donor

During the 1990s, the EU was the subject of increasing criticism for an excessive bureaucracy and lack of clear objectives regarding their approach to development aid (Carbone, 2013a; J. H. Dearden, 2008). As a result, the EU agreed on a new development policy, the European Consensus on Development, in 2005 (Carbone, 2010; European Union, 2006). The Consensus outlined a new approach to development. It emphasized a needs- and performance-based, transparent and objective approach to development meant to target the countries who need it the most. It states that:

“*The primary and overarching objective of EU development cooperation is the eradication of poverty in the context of sustainable development*” (Europan Union 2006, 5)

This approach to development was also introduced into the TFEU and further developed with the signing of the Treaty of Lisbon in 2007 (European Union, 2012b, Article 208; European Union, 2007). The EU’s official position towards the developing world is further stipulated in Article 2(5) in the Treaty of Lisbon (2007), which states that the Union shall uphold and promote its interests and values in relations with the wider world, as well as contribute to security, peace, and sustainable development. The protection of human rights and the
eradication of poverty in accordance with international law is also acknowledged as an essential objective. Furthermore, in article 10A(1), the treaty clearly states the Union’s intentions of expanding its model to third countries. It states:

“The Union’s actions on the international scene shall be guided by the principles which have inspired its own creation, development and enlargement, and which it seeks to advance in the wider world” (European Union, 2007).

Norms regarding democracy, the rule of law, and human rights are some examples of the principles the EU’s development policy aims to spread (European Union, 2007).

The eradication of poverty was further reaffirmed in the Agenda for Change in 2011, the EU’s next substantial development policy document. The Agenda restates the needs-based distribution of aid and firmly states that resources are to be used where they are most needed to eradicate poverty and where they could have the most significant impact (European Commission, 2011).

The EU’s development policy is connected to its identity as an international actor. This notion is acknowledged in article 208 of the TFEU, which declares that its development policy “shall be conducted within the framework of the principles and objectives of the Union’s external action” (European Union, 2012b). The development policy, being a part of the EU’s foreign policy, mirrors the EU’s self-image of being a normative power as it expresses a normative distinctiveness (Orbie., et al 2017). In line with Manners’ (2002) concept of normative power and the two defining aspects of shaping norms as well as acting normatively, the policy covers both aspects: Firstly, the Consensus emphasises that:

“EU partnership and dialogue with third countries will promote common values of: respect for human rights, fundamental freedoms, peace, democracy, good governance, gender equality, the rule of law, solidarity and justice” (European Union, 2006, 13).

This clearly relates to the aspect of shaping norms as it encourages the promotion of the EU’s values. This is also echoed in the Agenda where democracy, the rule of law and human rights
are deemed to be vital components of good governance (European Commission, 2011). To adhere to these principles, both in the Consensus and in the Agenda, are seen as essential to the development efforts sustainability (European Commission 2011; European Union 2006). Secondly, the policy vows to provide help to those who need it the most, setting aside strategic interests to prioritize development instead. Thereby, the EU has devoted itself to act normatively (European Commission 2011).

6.2 The allocation of EU aid

To allocate foreign aid through multilateral aid agencies has become increasingly popular during the last fifty years, especially within the EU. The member states have not only increased their coordination regarding bilateral aid, but they have also increasingly outsourced the amount of foreign aid given through the European Commission (EC). As of today, the EC manages approximately one fifth of total European aid. This has made the EU the largest multilateral aid donor in the world. Because of its independence, the EC can diffuse strategic interests and pursue a developed-based approach to foreign aid, which is the main reason behind the delegation of management and agenda-setting powers to it (Schneider and Tobin, 2013; Smith, 2018). However, the theoretical expectations of this approach to development aid have not found steady support in empirical studies of the subject (see Tsoutsoplides, 1991; Zanger, 2000). Instead, scholars have found that government interests have a consistent effect on aid allocation. Even though these findings are relatively old, they are contradictory to the theoretical literature on European aid and have inspired contemporary scholars to conduct further studies on the subject.

6.3 Determinants of EU aid throughout the last decades

An inspection of the EU’s aid allocation can uncover how well the EU adheres to the criteria set out in the Agenda and Consensus. The findings present an inconsistent pattern of aid allocation that seems to vary over time and over recipient countries. Some studies cover a time before the implementation of the policy discussed in this thesis, which limits their applicability for this study. However, they are helpful in displaying the changing patterns of aid allocation that seems to have taken place over the last decades.

Based on studies previously made, one can state that the determinants of development aid do not always seem to fit with the normative aspirations set out in the Agenda and Consensus. A
study made by Zanger (2000) shows that the norms and conditions that are set to govern aid allocation today played a small to non-existent role in the nineties. The results indicate that it was primarily strategic factors that influenced aid distribution. Former colonial ties were found to be significant predictors, whereas recipient needs only received limited attention. Furthermore, factors like low levels of ‘good governance’ in the form of violations of human rights and weak democratic structures had no restraining effect on the EC/EU’s decisions on distributing aid (Zanger, 2000). These results stand in clear contrast to the official aid policy, which was later announced in the 2000s. However, as Zangers (2000) study was conducted just as the EU started to include political conditionality and normative motives in its aid policy, more recent studies present different results.

The ‘recipient needs model’ and the ‘donor interest model’, which was first introduced by McKinley and Little (1979), have been applied in several studies since. The recipient needs model takes an idealist perspective and claims that the amount of aid a country will receive is based on the country’s needs being more pressing than those of other countries. While the donor interest model states that aid depends on the donor’s interest in a country, meaning it will provide more aid to countries if it lies in the donor's national interest to do so (McKinley and Little, 1979).

Studies that have implemented these models in the EU context have shown that both donor interest and recipient needs play a part in EU aid allocation to the least developed countries where many sub-Saharan countries are included (e.g. Grilli and Riess, 1992; Tsoutsopilides, 1991). This indicates that both normative and strategic motives used to play a part in aid allocation. However, in a more recent study where these models have been tested to determine EU aid allocation to Mediterranean countries, the results indicate that neither the recipient needs model nor the donor interest model is supported (Reynaert, 2011). Reynaert (2011) takes the research further and examines other models that could affect aid allocation, such as economic reforms and levels of good governance, and finds that the economic reform model holds explanatory value for the EU’s aid allocation. The results show that the EU rewards countries that have made progress in reforming themselves into market-based economies. Good governance is also found to be an important criterion for receiving aid, especially control of corruption (Reynaert, 2011).
When examining the EU’s role in development, Orbie et al., (2017) state that the EU seems to live up to its normative aspirations, at least when it comes to policy ideas. They argue that over the past 15 years, policy ideas is an area where the EU has stood out as being distinctively more normative than other western development donors. Their study uses the World Bank as an actor to compare EU development behaviour to and find that the EU’s development norms are incentives based, rather than sanction based, and politically oriented rather than economically. The incentives-based approach is, for example, visible as the EU focuses on ‘democratic governance’. The EU has an instrumental interpretation of social issues which goes beyond growth and the eradication of poverty as it also explicitly sees social justice, equality, and human rights as underlying aims (Orbie et al., 2017).

As mentioned in a previous paragraph, the EU member states have increasingly outsourced foreign aid allocation to the EC. However, that does not seem to have stopped them from meddling in the aid allocation process. Schneider and Tobin (2013) raise the issue of the influence individual EU member states can have on foreign aid allocation. They find that strong member states and members that can form coalitions can influence and cause a bias in the multilateral aid allocation process, steering it away from the EU’s official development goals towards their own areas of interest. Greater homogeneity among member states decreases the EC’s ability to pursue its development interests. However, out of the donor interests (colonial ties) and recipient needs (GDP per capita) indicators that were included in Schneider and Tobins (2013) analysis, both were found to be significant factors influencing aid allocation (Schneider and Tobin, 2013). Having a similar approach, Kim and Jensen (2018) tested whether the driving force of EU aid policy is the institutional setup or member states. The result reveals that the restrictions on the institutional setup of EU policy-making causes aid patterns to reflect those of member states that had more far reaching criteria on human rights, supporting their hypothesis. The analysis, covering the years 1981-2011, demonstrates that improved human rights records are a significant predictor of increased EU aid.

While earlier studies find little or no evidence that the norms that govern aid allocation today were adhered to, more recent studies present the EU in a manner more fitting with its own policy on development aid as recipient needs do seem to play a significant role in its aid
allocation. So does the recipient countries’ human rights record, which is a somewhat more surprising result since it was not until the launch of the Agenda in 2011 that human rights became a stronger policy focus. However, donor interest in the form of member states- and economic interests also seem to maintain some influence on EU aid allocation, which is less fitting with its development policy.

Like the paragraphs discussing the EU’s normative actions on the global arena, this demonstration on the determinants of EU aid allocation only gives a brief overview of the subject, however, it paints a picture of a topic that very well could be subjected to further research as no clear picture emerges.
7. Aid in relation to Africa

Development aid and its efficiency and purpose is a topic that has been highly debated, especially in the African context, creating a fragmented literature and political standpoints. In 2001, the New partnership for Africa’s Development (NEPAD) was launched with the aim to promote development and growth in Africa. The EU was especially supportive regarding governance issues and stated that Africa’s development efforts were best supported by focusing on NEPAD as the foundation for partnership between the international community and Africa (Taylor, 2010). However, studies state that aid as a tool to reach NEPADs aim of promoting growth has not been sufficient. It has been especially evident in Sub-Saharan Africa, where aid has been shown to pose no contribution to growth within the recipient countries. Thereby, aid is losing the battle against poverty that the EU has set out to combat in its development policy (Bountagkidis et al., 2015).

The scholarly debate that has concentrated on the recipients have identified several factors that affect aid effectiveness, factors generally related to systems of governance and macroeconomic frameworks. It has been established that aid fragmentation places a high administrative burden on the recipient countries, which encourages corruption and hinders economic growth, thus making aid a waste of resources (Carbone, 2013b).

The difficulties NEPAD have been faced with are being discussed by Taylor (2010), who points to some significant problems concerning the existing political economy and political cultures across Africa, which does not sit well with the EU’s notion of ‘good governance’ (Taylor, 2010). Taylor (2010) further develops his reasoning regarding EU aid in Africa and claims that what is remarkable about the EU’s venture of promoting good governance is its use of a one-size-fits-all model. Scholars argue that promoting democratic norms and practices, human rights, and political and economic development based on economic liberalization are problematic as it is filtered through the European experience. An experience that is then generalized and exported as an universal one-size-fits-all model to developing countries, as if the EU project is uncomplicated and uncontested (Börzel and Hackenesch, 2013; Taylor, 2010).
7.1 The EU’s role in development is being questioned

To examine the EU’s role in global politics, Bengtsson and Elgström (2012) use role theory to analyse the relationship between the EU’s own perception of itself as a global actor and the role expectations of the EU held by other actors. The self-image expressed primarily by the EC is, as mentioned before, in line with the role of being a normative power and can be seen to include two interconnected contextual roles. That of the EU being a partner for development, and that of the EU being a promoter of norms. Incoherence between the EU’s self-perception and other actors’ perceptions could cause tension and hinder the EU’s aspirations to spread norms and values. One of the other actors included in Bengtsson and Elgström’s (2012) study were the African, Caribbean, and Pacific states (ACP). With its colonial past in mind, it has always been important for the EU to portray the agreements with the ACP countries as results of negotiations between actors of sovereign and equal status (Bengtsson and Elgström, 2012). However, as the study shows, the role conception of the EU within the group of ACP countries is rather complex. On the one hand, the EU is seen as a great power with friendly intentions, a generous donor willing to contribute to development. On the other hand, it is perceived as patronizing and self-confident in that its own rationality and conceptualization is the superior one. Consequently, the ACP group views the EU not as much an equal partner than as a benign master. Several ACP officials see the EU as clearly driven by commercial motives with a desire to safeguard ACP markets against Chinese competition and open them up for the benefit of the EU. The EU is thus perceived, contrary to its own role perception, as a self-interested actor that uses its power to push its own “mercantilist interests”. The ideal of a partnership is fine, but there cannot exist a partnership “between a horse and a horse rider” (Bengtsson and Elgström, 2012).

The results in Bengtsson and Elgström’s (2012) study points to an emerging schism between the EU and Africa, a schism that also has been recognized by other scholars. The rift between these two entities has been argued to be caused by the two different concepts and practices of what constitutes governance. Prior to the institutional arrangements that govern the relationship between the EU and Africa today, there were longstanding historical colonial ties between the two that extends far beyond the creation of the EU itself (Bountagkidis et al., 2015). A major structural problem in post-colonial Africa is the fact that the ruling classes lack hegemony. A large part of the previously colonized countries fell into autocracy in the early years of post-colonial rule. Within a hegemonic project, ethico-political features provide a mitigating and
legitimising aspect and support the construction of economic constitutions, however, such ethico-political features are, because of the events in the post-colonial years, not present across many parts of Africa. As a result, the ruling classes and their systems of governance are shaped around the physical exercise of violence and corruption through the distribution of material benefits to groups in these regimes. This type of governance that exists in African countries are unfavourable to the kind of stability and long-term development that the EU seeks. Yet, without it, the African ruling elites cannot reign (Taylor, 2010). Hence, the state’s relative autonomy, which would allow the liberal democratic model to grow and make the kind of reforms demanded by the EU possible, does not exist.

In addition, and in likeness to Bengtsson and Elgström (2012), Taylor (2010) further points to the NEPAD’s flawed use of the term ‘partnership’ between the western developed countries and Africa claiming that the balance of power is far too skewed. To describe development relations using the equalising term ‘partnership’ has been argued to be an attempt to renounce and obscure European paternalism, which has its roots deeply embedded in the past colonial setting (Bountagkidis et al., 2015; Taylor, 2010). Since the decolonization, European member states have sought to retain the economic links, access to raw materials and natural resources, and other strategic economic interests they had enjoyed under colonialism. Furthermore, the limited remissions made to African states have been gradually removed since, which contradicts the EU’s attempts to reject the significance of the legacies of colonialism (Bountagkidis et al., 2015).

The different views on governance and the unbalanced relationship between the EU and Africa pose a problem for development cooperation between the two. In addition, new challenges may be approaching the EU’s development policy as new emerging powers step onto the global arena. Seeing that the EU might not be as wanted as a partner as it once was, some scholars argue that the EU might be on its way to lose some of its power in developing countries. This prediction gains credibility as the increased influence from other emerging powers, such as China, raises new questions of the importance of European development aid as a tool for supporting developing countries and as a lever of influence in global affairs (Bodenstein et al., 2017; Meunier and Nicolaidis, 2017).
8. China enters the global arena

China has become a frequently more common example for scholars to mention when discussing emerging powers in the global arena. In just a few decades, Chinas growing economy and power has made it go from being one of the first developing countries to receive FDI to becoming an increasingly important investor and donor in developing countries. As a result of its growth and the need to fuel it with natural resources, China has become a progressively more important partner to African countries (Sanfilippo, 2010). Annual Chinese FDI flows to African countries has increased from 75 million US dollars in 2003 to 2.7 billion US dollars in 2019 (John Hopkins, 2020).

8.1 What is Foreign Direct Investment?

As defined by the OECD, FDI is a type of cross-border investment where an investor resident in one economy establishes a long-term interest and a significant amount of influence over enterprises residing in another economy. Because it creates stable and lasting links between economies, FDI is an important component in international economic integration. It can be a major driver of economic development. It is an important channel for the transfer of technology between countries and promotes international trade as it provides access to foreign markets (OECD 2021a).

8.2 Chinas strategic relationship with African countries

Chinas motives when placing FDI in African countries are widely understood to be built on an economic basis. However, one should note that there have been disagreements within both academia and politics regarding Chinas role as a collaborator in Africa. Some even insinuate colonial tendencies and see China as an unequal partner to African countries, while others view the relationship as one of mutual benefit (Tull, 2006; Clinton 2011; Gu et al., 2016). However, even though one could debate who the winners and losers are in China’s relationship to African countries, most scholars do support the notion that China is a strategic actor guided by its economic interests, as well as an actor offering cooperation with fewer political strings attached than the EU (e.g. Koomson-Abekah and Nwaba, 2018; Sanfilippo, 2010; Soumaré et al., 2016).

China can be understood to be a cooperation partner entirely different from the EU. Chinese economic relations to African countries are based on a policy of ‘non-interference’ which
means that China, unlike the EU, does not tie investments to any type of reform conditions. In its relationships with African countries, China has, unlike the EU, well-established economic motives with little to no interference in the recipient country’s politics and democratisation process. As mentioned above, China tends to invest in countries rich with natural resources as China is heavily dependent on oil and gas to support its increasing energy demand. Furthermore, China has been relatively quick to recognize Africa’s market potential. Strategic incorporation of Chinese contributions has been especially noticeable in mining and large-scale infrastructure projects, which is where a large amount of the investments goes. By being involved in extractive industries, Chinese firms secure access to upstream assets, meaning the parts of the industries responsible for extracting and recovering natural gas and oil reserves. Large investments in oil-rich states such as Sudan and Angola are examples of this (Vadra, 2017). In order to secure these sizeable natural resource-related FDI deals with African governments, Chinese FDI has to a large extent gone to infrastructure and construction projects to, for example, build public buildings of political importance and transport infrastructure. The majority of Chinese investment in the infrastructure sector is targeted towards constructing transport networks for the export of natural resources (Sanfilippo, 2010). This relationship and exchange of services is the highlight of the China-Africa economic cooperation. African countries rich with natural resources but constrained by economic challenges can use their resources as leverage to attract efficient financial and technical investments from China to support infrastructural development and reduce poverty (Koomson-Abekah and Nwaba, 2018). When transport infrastructure is improved, which is much-needed in most African countries, it lowers the transaction costs and contributes to enhanced trade and growth rates, both internally and externally (Busse, Erdogan and Mühlen, 2016).

Furthermore, Sanfilippo (2010) explains how another consistent part of Chinese FDI is a result of the fact that China sees good market potential in some African countries. The countries with the highest income seem to attract the most FDI as those countries provide a market for China to place its low-cost surplus production. Empirical analysis shows how Chinese investments in some African countries have been made to exploit the possibilities of special provisions put on exports of manufacturing products. The same reasoning can be found in Vadras (2017) study, where it is discussed how in addition to natural resources, large markets have been found to attract the most FDI.
In contrast to the favourable cooperation between resource-rich African countries and China described above, Busse et al., (2016) present a slightly different picture. They agree that regarding trade structure, and, in comparison to high-income western countries, China’s approach towards African countries differs. China’s rising demand for natural resources is beneficial for African countries with access to them, however, in order to have a significant effect on the general growth, the funds need to be spent properly. Here, Busse et al., (2016) present similar challenges as Bountagkidis et al., (2015) did when discussing the shortcomings of aid. Due to its weak institutions, using the full potential of FDI have proven to be a challenge for some African countries.

8.3 Aid in relation to China’s rise as a global actor

As presented above, during the last decades, Chinese economic and political involvement in Africa has been growing exponentially. This development has made scholars ask questions about how the increasing Chinese presence in Africa has changed the playing field of development aid. There has risen a general concern among policymakers and academia that with increased Chinese engagement in Africa, the EU’s leverage has decreased as China exerts competitive pressure on the European development policy regime (Hackenesch, 2015). As mentioned above, China has a ‘non-interference’ policy when it comes to its economic relationships with African countries, meaning it does not condition investments on governance improvements (Busse et al., 2016). This has raised concerns regarding Chinese engagement with Africa and whether or not it poses a risk of making the EU’s policies on governance largely irrelevant. By providing loans, development aid, investments, and trade without political strings attached and turning a blind eye towards the autocratic societies, China has made itself an alternative partner to African governments. To quote the former United Kingdom Secretary for International Development:

“China’s failure to match the conditions placed on aid by countries such as Britain – including evidence of good governance, respect for human rights and spending direct to alleviate poverty – could set back progress toward democratic administrations” (Hackenesch, 2015).
This development highlights the gap between European rhetoric and policy practises and puts pressure on the EU to work harder on reforming its development policies in order not to lag behind (Hackenesch, 2013; Taylor, 2010).

The level of competitive pressure posed by China is, however, a contested topic. China is accused of making it harder for the EU to use material incentives for reforms, but in a study by Hackenesch (2015), where this notion was tested, the results presented a different picture. Ethiopia and Angola are two countries to which China has become an important cooperation partner. Both countries are also led by authoritarian regimes, to which the EU promotes democratic norms and good governance. One could assume that the presence of China would make it harder for the EU to succeed in its democracy promotion, however, the study shows that although the EU struggles in making the respective governments address governance issues, it has not been made harder by China’s presence. Rather the empirical analysis indicates that domestic factors influence the government’s will to engage with the EU. Factors that relate to the by Taylor (2010) above presented concept of regime type and its challenges to survive the reforms pushed by the EU (Hackenesch, 2015; Taylor, 2010).

The research results, as well as the opinions on the subject of Chinese investments in Africa, and the EU’s role within it all, differs considerably. This, in combination with the conflicting results and views of the EU’s normative role, creates a bundle from which it is possible to draw a number of contradicting assumptions and conclusions. It is to this disarray this study aims to contribute by examining the EU’s aid allocation patterns in African countries in light of normative power Europe and in relation to Chinese FDI.
9. Testable implications

Upon closer inspection, it becomes evident that ‘Normative Power Europe’ has reason to be recognized as a conflicting concept. Both as a global actor in general and as a donor of development aid. The EU’s official position towards the developing world is stipulated in Article 2(5) and Article 10A(1) in the Treaty of Lisbon, which, among other things, states that the Union’s actions on the international scene shall be guided by principles of democracy, the rule of law, and human rights. The Lisbon Treaty, combined with the Agenda for change and the European Consensus on Development, reflects an idealist and normative approach in accordance with the EU’s self-image. On paper at least, the EU adheres to its self-perceived normative role in its development policy, striving to enable development, reduce poverty, and promote good governance as a force for good in the world. In real life, however, the EU’s self-perception of being a normative power that promotes its values and consistently acts according to its normative basis seems only to be partially true as the consistency vital for the EU’s ability to call itself a normative power has been lacking.

This leads to the research question this thesis has set out to answer:

How has the EU’s distribution of development aid in African countries been affected by China’s increased FDI spending in African countries?

Previous studies have helped shine a light on the EU’s inconsistency regarding its development policy when it comes to acting normatively. Not only needs-based criteria have been found to significantly determine aid allocations, but also economic interests and political relationships. These studies present a conflicting image of the EU’s role in the world, and the rise of countries like China adds another dimension to keep in mind when examining the somewhat shaky normative basis of the EU. Therefore, levels of EU aid are in this study examined in relation to Chinese FDI to see if the possible competition China poses as a partner to developing countries can be seen as a factor that influences the EU’s aid allocation.

With the varying results presented by previous studies in mind, contradicting assumptions could be made regarding the EU’s aid allocation. As a clarification and starting point for this analysis, I make the base assumption that the EU does use aid systematically to spread its normative values to developing countries to combat poverty and promote good governance. With more
time and resources, this issue could have been examined more thoroughly. Still, for the sake of this analysis which will turn its focus to the possible change in the EU’s aid allocation patterns, some base assumptions and simplifications need to be made.

The EU’s development policy approach revolves around aid being allocated to countries who need it the most economically and as a form of reward for developing countries who have managed to adopt to specific reforms concerning, among other things, good governance, democracy, and human rights. Unlike the EU, China does not have the same concerns and invests its FDI without taking matters such as good governance, democracy, and human rights into account. For the sake of this thesis, suppose we adopt the reasoning of the former United Kingdom Secretary for International Development and assume that an increase of Chinese FDI to African countries leads to a decrease in the progress and efforts made to promote good governance and human rights. The allocation of EU aid should decrease as an effect of Chinese FDI. This result would paint the EU in a rather negative light regarding its presumably normative values. If the EU decreases its normative efforts when exposed to strategic and economic competition from a third actor, this study will lend its support to those scholars who previously have questioned the EU’s normative identity as a global actor.

**Hypothesis (H1): The EU’s distribution of development aid to African countries has decreased with the increase of Chinese FDI.**

On the other hand, an increase of EU aid and with it a continuing push for good governance and democracy could be interpreted as the EU standing its ground as a normative actor. Actively promoting its norms and values in accordance with its development policy and self-image. However, scholars have argued for the EU’s predominantly economic interests in its dealings with third countries as it has been demonstrated how countries who to an increasing extent reach the EU’s ‘good governance’ criteria and have reformed themselves into market-based economies have been rewarded with aid. With Chinese FDI, the EU faces an opponent that prioritizes open markets for China, not for the rest of the world. Therefore, one could assume that in order to maintain its competitive advantage in the countries in question, the EU’s aid allocation should increase with the increase of Chinese FDI. Suppose this study presents results showing an increase in aid in relation to FDI. In that case, it will not be able to determine whether that increase is dependent on normative motives, economic interests, or a combination
of both. One could look at and interpret such a result differently based on which theoretical view one supports. That could, however, be an indication that normative motives drive aid allocation and would provide incentives for further studies of the topic with a more elaborated and targeted research design.

**Hypothesis (H2):** The EU’s distribution of development aid to African countries has increased with the increase of Chinese FDI.

A rejection of both hypotheses would imply that the EU’s aid allocation is not affected by the presence of Chinese FDI and could be interpreted as whatever the reasons for giving aid are, they are not dependent on China as an outside force.
10. Method and data

A quantitative method was applied to test the hypotheses suggested above. Stata was used to perform an analysis of time-series cross-section (TSCS) data on EU aid. TSCS data can be seen as a subgroup of panel data. However, classic panel data consists of a large number of units recorded at relatively few time points, while TSCS data has a different structure. Contrary to classical panel data, TSCS data analyses a small to moderate number of units recorded at several time points (Mehmetoglu, 2016). This analysis covered the years 2003-2019 and contained data on 800 observations in 51 countries for the bivariate analysis, and 362 observations in 42 countries for the multivariate analysis.

10.1 The model

Nested data such as panel data does not meet the OLS regression requirement of independent units. Therefore, another estimator needed to be used when conducting the analysis. To decide between pooled OLS and random effects, a Breusch-Pagan Lagrange Multiplier Test was made. The test indicated significant time effects, which made random effects the most conventional way forward. A Hausman test was then performed in order to determine if fixed effects or random effects should be used as estimator moving forward with the analysis. It presented significant results, which is why fixed effects were chosen as estimator. A significant Hausman test means that there is a significant difference between the estimated coefficients of a random effects model and a fixed effects model, indicating that the random effects model no longer is consistent when compared to the fixed effects model. By measuring changes within groups across time, fixed effects models remove omitted variable bias. This is done by including dummy variables to account for the missing or unknown characteristics. The fixed effects estimator is used when one is interested in the impact of variables that vary over time and helps investigate the relationship between the dependent variable and the independent variables within a unit, which in this case is countries. The biggest advantage of using a fixed effects model is the fact that it presents a purer relationship between X and Y in the regression output by being able to get rid of much of the problem of spurious relationships (Mehmetoglu, 2016).
Finally, some of the variables in the models showed signs of being abnormally distributed around the mean, meaning they were asymmetrical and skewed. A skewed distribution can create problems for regression analysis, and a common way of solving such problems is to transform the variables into natural logarithms. However, it could be argued that doing so, in this case, would have created more problems than it would solve. The variables used in this analysis had several zero and negative values. To log-transform such a variable causes those values to be dropped in the new logged variable lowering the N, which is problematic for the significance and result. Therefore, the decision was made not to log variables (Mehmetoglu, 2016).

Even though the low T caused a fisher unit root test to be excessive, a test was still conducted. A brief discussion of the results can be found in Appendix 1.

10.2 Dependent variable
The dependent variable of this analysis, EU aid to African countries, is measured with the amount of Official Development Assistance (ODA) disbursements made by the EU institutions per recipient country and year. ODA is the most frequently used measure for aid levels in the literature. The data on ODA is provided by the OECD (2021b) and is given in constant 2018 US million dollars. The variable ranges from -71,64 million US$ to 754,64 million US$ per year and recipient country with a mean of 91,969 million US$.

Aid policy is assumed to lag behind current developments due to budgetary, political, and administrative constraints. Because of this, aid disbursements are likely to respond to FDI levels with some delay. Therefore, the variable is observed one year later (t) than the independent variables (t – 1) – meaning, all independent variables are lagged.

10.3 Independent variable
The independent variable, Chinese FDI flows, originates from the John Hopkins School of Advanced International Studies (2020). The data is given in constant unadjusted US million dollars and measures Chinese FDI flows to African countries from 2003-2019. Because of China’s relatively recent rise as an actor in the global arena and as an FDI provider, data is only

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1 This was the case particularly regarding the variables GDP and Natural gas production, but to some extent also EU aid.
available from the early 2000s, which is why 2003-2019 is the period chosen for this analysis. The variable ranges from -814.91 million US$ to 4807.86 million US$ per year and recipient country. The level of FDI is observed at time $t - 1$.

As mentioned briefly earlier in the text, China provides African countries with different kinds of financial support besides FDI, one of them being aid. Therefore, a brief clarification needs to be made regarding the reason why this study does not examine aid’s effect on aid instead of FDI’s effect on aid. This study is trying to contribute to the research on the EU’s normative motives in aid allocation by studying its actions in relation to those of a strategic actor. It could be believed that as a strategic actor, Chinese aid is in likeness to FDI pushed by strategic motives, which would make it insignificant which type of financial support is chosen for this analysis. However, as previously described, FDI is in its definition strategic independent of the actor distributing it. If aid had been used as the independent variable, a large part of this study would have had to be devoted to proving or conclude to what level Chinese aid is strategically placed or not. Therefore, FDI was selected as the independent variable as that is a variable that needs much less motivation as to why it is seen as strategic.

10.4 Control variables

In the Consensus, it is stated that the EU is to allocate aid based on the performance and need of the recipient country. Based on this and the previous research presented above, a number of control variables were included to control for other influences of aid allocation besides Chinese FDI. The control variables are all lagged and observed at time $t - 1$, in likeness to the main independent variable. This is done in order to address endogeneity issues and because socio-economic indicators are commonly responded to with some delay.

Two categories of control variables have been chosen. The first set of controls represents the EU’s idealist values regarding the distribution of aid. Factors such as a certain level of democracy, abiding by human rights and the rule of law, and a country’s economic needs are vital issues that the EU highlights in aid allocation. Therefore, variables controlling for democracy, human rights and the rule of law, and GDP are included. The data source for these variables is the Quality of Government 2020 standard dataset, which contains data from a number of different sources (Teorell 2020).
To control for democracy, an electoral democracy index originally from Varieties of Democracy (V-Dem) have been chosen (Coppedge 2020). The index ranges between 0-1, where zero represents the worst democracy score and one the best. The variable measures the electoral principle of democracy and seeks to embody the core value of making leaders responsive to citizens. This is to be achieved through electoral competition under circumstances where suffrage is extensive, where political as well as civil society organizations can operate freely, where elections are clean and free of fraud and corruption, and where the result of the elections affect the composition of the chief executive of the country. The index also measures the freedom of expression and the possibilities for the media to present alternative views in between the elections.

Human rights have become an increasingly important aspect of the EU’s development aid allocation, especially since the Agenda in 2011. Therefore, the variable Human rights and rule of law is included in the model. It originates from The Fund for Peace and ranges on a scale from 1-10, where one represents the best human rights conditions and ten the worst. It considers factors such as civil liberties, political freedom, the freedom of the press, political prisoners, incarceration, religious persecution, executions and torture (Haken et al., 2020).

Finally, data from the World Bank (2020) measuring per capita gross development product in constant 2010 US dollars is included as an indicator for the level and distribution of poverty, as the EU has stated that it is the countries that need it the most that will receive the most development aid.

The second set of controls represents more strategic values reflecting the economic concerns discussed in the previous research. Liberal markets that open up for trade has been discussed as being of importance for aid allocation. The energy sector has been mentioned as an area where the EU has been less inclined to adhere to its normative aspirations regarding democracy and human rights. The strategic interests and dependence on raw material are too great. Therefore, variables on EU export and African countries natural gas production will be included in the

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2 The Quality of Government 2020 dataset did contain a variable on Sustainable development which was originally meant to be included in the model since that is one of the aspects the EU mentions as a factor that determines aid allocation. However, the variable was only collected every other year which created a lot of missing values who affected the number of observations significantly and therefore lowered the significance for the whole model. The variable Sustainable development was therefore excluded from the model since it disturbed the model and created more issues with the analysis than it contributed to it.
model. A variable measuring natural gas production\(^3\) is included using data from Harvard Dataverse. The variable measures gas production in the equivalent number of million barrels of oil (Ross and Mahdavi 2015). The variable accounting for EU export to partner countries measures export in US million dollars, with data from the International Monetary Fund (2021).

\(^3\) Oil production was also available in the data but was left out as it, on its own, presented similar results as the variable on natural gas, and if included together with the variable on natural gas caused the variables to cancel each other out creating insignificant results.
11. Results

Table 1. The effect of Chinese FDI on EU aid disbursements.

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<td>FD</td>
</tr>
<tr>
<td>Chinese FDI</td>
<td>0.307* (0.151)</td>
<td>-0.261+ (0.130)</td>
<td>0.0334* (0.0168)</td>
<td>-0.0278+ (0.0147)</td>
<td>-0.00659 (0.0103)</td>
<td>-0.0136 (0.0119)</td>
<td>-0.00805 (0.0103)</td>
<td>-0.0112 (0.0117)</td>
<td>0.00490 (0.00882)</td>
<td>0.000584 (0.00114)</td>
</tr>
<tr>
<td>L.D. Chinese FDI</td>
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<tr>
<td>Democracy level</td>
<td>64.69 (72.92)</td>
<td>-2.502 (31.23)</td>
<td>54.87 (38.71)</td>
<td>81.61+ (47.28)</td>
<td></td>
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<tr>
<td>L.D. Democracy level</td>
<td></td>
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<td></td>
<td>-191.7* (83.13)</td>
<td></td>
</tr>
<tr>
<td>GDPPC</td>
<td>-0.0136** (0.00396)</td>
<td>-0.0133*** (0.00180)</td>
<td>-0.00808* (0.00345)</td>
<td>0.00235 (0.00744)</td>
<td></td>
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<tr>
<td>L.D. GDPPC</td>
<td></td>
<td></td>
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<td></td>
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<td></td>
<td></td>
<td>0.00162 (0.0100)</td>
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</tr>
<tr>
<td>Human rights /rule of law</td>
<td>9.015 (10.60)</td>
<td>-0.578 (4.458)</td>
<td>9.139 (5.874)</td>
<td>20.74* (8.018)</td>
<td></td>
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<tr>
<td>L.D. Human rights/rule of law</td>
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<td></td>
<td></td>
<td>15.12 (14.54)</td>
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</tr>
<tr>
<td>Natural gas production</td>
<td>-0.204*** (0.0517)</td>
<td>-0.161*** (0.0220)</td>
<td>-0.0650+ (0.0380)</td>
<td>0.0481 (0.0740)</td>
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<td>L.D. Natural gas production</td>
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<td></td>
<td></td>
<td></td>
<td>0.0383 (0.0972)</td>
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<tr>
<td>EU export</td>
<td>0.000148*** (0.0000212)</td>
<td>0.000111*** (0.0000754)</td>
<td>0.000723*** (0.0000121)</td>
<td>0.000313 (0.0000197)</td>
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<tr>
<td>L.D. EU export</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td>0.000117 (0.0000370)</td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td>79.26*** (13.04)</td>
<td>3.834 (106.4)</td>
<td>92.07*** (3.497)</td>
<td>98.67* (43.48)</td>
<td>93.73*** (11.04)</td>
<td>0.677 (54.08)</td>
<td>94.02*** (2.005)</td>
<td>-107.5 (67.08)</td>
<td></td>
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</tr>
<tr>
<td>R2</td>
<td>0.0775</td>
<td>0.609</td>
<td>0.00490</td>
<td>0.386</td>
<td></td>
<td></td>
<td>0.000815</td>
<td>0.0465</td>
<td>0.000412</td>
<td>0.0259</td>
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<tr>
<td>Observations</td>
<td>800</td>
<td>362</td>
<td>800</td>
<td>362</td>
<td>800</td>
<td>362</td>
<td>800</td>
<td>362</td>
<td>748</td>
<td>318</td>
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<tr>
<td>Countries</td>
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<td>42</td>
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<td></td>
<td>51</td>
<td>42</td>
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</tr>
</tbody>
</table>

Standard errors in parentheses "p < 0.1, " p < 0.05, " p < 0.01, *** p < 0.001. Time period: 2003-2019. Dependent variable: EU aid disbursement. BE = Between effects. POLS = Pooled OLS. RE = Random effects. FE = Fixed effects. FD = First difference.

The models subjected to analysis in this study are, as previously motivated, the fixed effects models which are highlighted above. The fixed effects models measure variance over time within countries. Looking at the bivariate and multivariate models, we can see no significant relationship between EU aid allocation and Chinese FDI, indicating that during the time period covered in this study, the amount of FDI distributed to a country does not affect its aid levels. Therefore, both hypotheses are rejected. Nevertheless, two of the idealist control variables show significant results, but in two completely different directions. The positive and significant result for Democracy level indicates that democracy does matter for aid disbursement even
though the significance score is on the lower end of the scale, meaning that a country with higher levels of democracy receives more aid. This is in line with the EU’s normative self-image and its development policy, where democracy is one of the aspects it has set out to promote and where democratization is supposed to be rewarded with more aid.

However, this study has unfortunately been subjected to some data issues, mainly regarding the number of observations in the control variables, that need to be taken into consideration when judging the robustness of the results. The number of observations drops from 800 in 51 countries in the bivariate analysis, to 362 observations in 42 countries in the multivariate analysis. This is partly because of the variable’s Human rights and rule of law and Natural gas production, but mainly because of the fact that a number of observations do not match across all the different variables. Values that are available for one year in one variable are not available in the same year in a different variable. As discussed in a footnote above, the control variable representing Sustainable development was left out of the analysis because of the lack of observations. The decision was made to include the other variables in the analysis as the usefulness to control for those factors outweighs the drop of observations. With a lower number of observations, significance is harder to achieve. Additionally, to have the N differ greatly depending on which control variables are included makes the result less reliable and highly dependent on which control variables are included. To include Sustainable development, for example, lowered the observations to 174 in 37 countries. The significant result for level of democracy disappeared, and EU export became significant instead. This issue with the control variables creates a serious problem regarding the reliability of the results. However, the relationship between Chinese FDI and EU aid disbursement never show significant results, regardless of which controls are included.

Moreover, as mentioned above, apart from democracy level there is one additional control variable that shows significant results, and that is Human rights and rule of law. This result somewhat ‘rocks the boat’ and contradicts the normative power ideal. Keeping in mind how the variable was coded, higher values indicate poorer human rights records. This means that the positive and significant result suggests that one step up on the scale, having worse human rights and rule of law conditions, increases aid to the country. That countries with worse human rights conditions receive more aid goes against the EU’s development policy and causes one to doubt the normative power self-image. This result opens up for speculation as to what the reason
might be. One theory is that other factors that outweigh the human rights aspect come to play. As pointed out by Wood (2009) in the previous research, the EU has been known to set aside its normative ambitions in its dealings with members of the European Neighbourhood Policy. Even though countries have shown poor human rights records, the EU has been somewhat selective in its use of sanctions against them because of the strong economic relationship between them. It would not be unreasonable to suspect that something similar is causing these results. Then again, considering the data issue one does not dare to put too much emphasis on the results of the control variables.

To conclude, Chinese FDI does not seem to influence EU aid allocation according to the results from this study. However, that could be an issue of time. The time span of seventeen years might be too short to identify a relationship which a longer panel might pick up on. On the other hand, China is a relatively new provider of FDI which makes a longer panel hard to come by. Furthermore, the factors that did show significance, Democracy level and Human rights and rule of law, lacks several data points which makes it inappropriate to state with confidence the influence they have on EU aid disbursements. What one could conclude, however, is despite of the issue with the controls and the difference the inclusion and exclusion of them makes, the results repeatedly fall in line with previous research made. Both strategic and normative factors do seem to influence the EU’s aid allocation to African countries. Even though in this study, Chinese FDI does not seem to be one of those strategic factors.
12. Conclusion

One can with confidence state that the EU’s role in the world has changed since its creation. Although to pinpoint precisely what role the EU holds today is more challenging as differing conceptions of what constitutes the EU’s role in the world exists. Manners’ (2002) normative power concept gained traction in the 2000s, and the EU’s self-image and development policy present a normative picture. However, just as scholars are pointing to the EU’s normative actions, critical voices question the EU’s role as the good Samaritan and exemplify instances where the EU has acted in its own interest rather than for the greater good of others. These conflicting representations of the EU as a global actor highlights a lack of consistency in the EU’s actions towards third countries. This study contributes to the existing research by examining the EU’s normative power motives in African countries in relation to a strategic opponent by including Chinese FDI as a factor that might influence EU aid allocation. Keeping in mind that the results need to be handled with a certain measure of caution, the study did not find any evidence that FDI had impacted EU aid allocation during the time period examined. However, both strategic and normative factors indicated influence on the aid disbursement, which in line with previous research, points to an inconsistency in the EU’s actions. Therefore, this study lends its support to those who claim that the EU’s normative self-image might be rightfully subjected to some careful criticism. The EU needs to show more consistency in order to be entirely accepted as a normative power. As previously expressed by Forsberg (2011), the normative power ideal is possibly better seen as an ideal type rather than an objective description of the EU.

Additionally, this study has revealed some aspects to have in mind when studying this topic further. As discussed in the results, the control variables were not optimal as they were lacking data points, which influenced the significance and the result. Using different and more complete data would therefore be preferable if one were to develop this study further. It would also be worth looking at the possible change over a more extended period of time. The length of the panel might not be enough to detect the EU’s responses to outside factors. New strategies and policy documents are not put together overnight. However, that is something that will be possible only in a future study when China has had more years to develop as a partner to third countries. An idea for a prospective study would also be to include FDI from not only China
but also from other actors to compare the possible difference in influence from different kinds of actors.
References


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https://doi.org/10.1177/1465116500001003002
Appendix 1

A Fisher unit root test is applied on all time-variant covariates, testing whether there is a unit root in any of the time-variant variables or if they are all stationary. It is a reasonable test to conduct when the average T is bigger than 20. In this model, that was not the case as the panel covered 17 years. A test was made as an extra precaution where GDP, Natural gas production and Human rights and rule of law showed signs of unit roots. However, because of the low T no emphasis was put on the results.