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Abstract: Europe is less dynamic than other areas in the world. The European Union will lose its position as the largest economic region, with the share in world output decreasing to less than 15% in 2050. This article designs a strategy based on which Europe can increase its internal dynamics, connect with its dynamic neighborhood and stabilize its eastern and southern regions. These regions are currently searching for development paths different from those in the US and China. The envisaged strategy learns from past errors, counteracts "my country first calls", balances uneven trade and investment pacts, and prevents land and resource grabbing. A new partnership strategy with neighbors in Eurasia, the Middle East and Africa will enable Europe to overcome its growth fatigue. It could help to reshape globalization and convert the current "ring of fire" into a "ring of friends". Then, together with its neighbors, Europe could still be an important economic region in 2050, on par with China and larger than the US plus its neighbors.

Keywords: European Neighborhood Policy; Marshall Plan for Africa; Dependency theory; Migration and education; Stability *vs*. "Ring of Fire"

JEL Classification: E02, E61, F13, F42

1. Why Europe Needs an Active Partnership Policy

1.1 Dynamic markets help to overcome European growth fatigue

Economic dynamics has slowed in Europe, even before the financial crisis, but more significantly in the period thereafter. The process of catching up with the US in terms of per capita income – a stylized fact since WWII – stopped in the nineties. In the years following the financial crisis, European growth was very slow, such that output in 2016 (measured by the real GDP of the EU 28) surpassed the one of 2008 by only 5%, compared to 12% in the US and 60% in China (cumulative figures). Unemployment approached 10% (2014) in the Euro area, and 8% in the EU 27, dropping slightly during the recovery of 2016/18.

In contrast, most EU neighborhood countries avail of dynamic markets. The Black Sea region, North Africa, Turkey and the Middle East reported GDP growth rates of 3% or more between 2000 and 2017, leading to a cumulative growth of GDP for the European neighborhood since 2000 of 110%. Catching up even persists under political instability. Medium and long-term growth up to 2050 is predicted to lie above 3% p.a. as compared to 1-2% for industrialized countries. The neighborhood countries thus offer highly dynamic markets, producing themselves at rather low cost, at a short geographic distance to Europe.

The European neighborhood in this document[1] refers to non-European regions which are geographically close to the European Union (EU), but which are not members and do not have the intention or prospect of accession. This region comprises Africa (including Sub-Sahara), the (Near and) Middle East, the Black Sea area and other successor states of the Soviet Union (labeled as the Commonwealth of Independent States by the IMF). Russia should also be included in a European neighborhood policy, even if this currently appears beyond the realm of European policy. In this definition, the European neighborhood is very heterogeneous, comprising catching up countries with stable governments, but also extremely poor ones.

1.2 Stability limits illegal and disruptive migration

The European population is ageing, and the potential workforce (defined conservatively by constant employment shares per age group) is predicted to decline by 20 million by 2030 and by more than 100 million up to 2050 (UNDP, 2016). Even if participation rates increase and the skill mismatch is reduced (Aiginger, 2016), some net migration will be needed to stabilize labor supply. Complementing these demand aspects (the pull factors) of migration is the "supply" or push migration driven e.g. by political conflicts or environmental catastrophes. It will only imperfectly meet the numbers, age structure and qualification requested by demand. Consequently, the most recent wave of refugees from the Middle East and Africa has unleashed formidable resistance from European citizens, although this is not corroborated by objective numbers. Europe inhabits today about 80 million international migrants, some 30.2% of worldwide migration. In contrast, Europe provided shelter to refugees (and asylum seekers) of just 3.5 million persons or some 13.5% of worldwide refugees (Table 1).

Table 1. International migrants and refugees in mid-2017 (stocks)

International migrants & refugees / Area of destination	International migrants according		Refugees and asylum seekers	
	Millions	Percent	Millions	Percent
Europe	77.9	30.2	3.5	13.5
Asia	79.6	30.9	14.7	56.7
Africa	24.7	9.6	6.3	24.2
North America	57.7	22.4	1.0	3.7
Latin America and the Caribbean	9.5	3.7	0.4	1.6
Oceania	8.3	3.2	0.1	0.3
Total	257.7	100.0	25.9	100.0

Data source: UN (2017a)

[1] Note that our definition is not entirely identical with that of the official documents about the European Neighborhood Policy (ENP).

The future potential migration from Africa is predicted to amount to 80 million people per year. This continent's population will rise from currently 1.3 to 2.5 billion in 2050 and then to 4.5 billion in 2100 (UN, 2017b). The push of migrants from Africa is determined by the high population growth which meets with a weak sanitary infrastructure, insufficient health services, climate change and inadequate education systems (Schmid and Borchers, 2010). Europe primarily needs medium to highly skilled immigration, while the actual qualification of migrants is very heterogeneous across different countries (higher from Syria, lower from Afghanistan and Sub-Saharan Africa).

High population growth plus low qualification imply that the larger part of the solution has to be to stimulate dynamics and job creation in the neighborhood countries themselves (for Africa, 20 million new jobs are needed per year) and to upgrade skills. Jobs near the countries of origin, e.g. in special zones or peace oases, allow for the return of migrants after crises have subsided.

1.3 Historic responsibility

In addition to economic arguments, Europe feels an obligation to support stability and recovery in its Southern neighborhood due to its historic responsibility and partial guilt. In the past, Europe often colonized these countries by force; it defined borders in disrespect of history or cultural homogeneity, it installed governments and exploited the resources of its colonies without providing or improving economic structures, increasing food supply, supporting endogenous firms and respecting environmental limits. In more recent times, Europe exported agricultural goods in oversupply, thus implicitly reducing the potential of an endogenous food industry in neighborhood countries (Lungu, 2018). At the same time, Europe maintained non-tariff barriers for imports of agricultural products from Africa.

Recalling these historical facts does not mean that European nations, governments and civic organizations did not also promote and enhance development and improve wellbeing (e.g. health). However, Europe has not made democratic principles, poverty reduction or gender rights a condition for trade and investment, and weapons have been provided to all regimes whenever possible. Reluctantly, Europe did connect to secular bottom-up movements like the Arab Spring (Wurm, 2018). As a consequence of past failures and recent negligence, the image of Europe in the neighborhood countries is not the best, a factor which has to be taken into account in delineating a new strategy. Europe can either try to develop fair partnerships with its neighborhood and support economic and political stabilization or it will be confronted with new political structures indifferent or even hostile towards Europe.

2. Past and Present Attempts

2.1 Recovery programs after World War II

One major assistance program initiated after World War II is generally considered a success: By establishing the European Recovery Program (ERP), the so-called Marshall Plan, the US decided to invest their taxpayers' money in supporting the reconstruction of the European economy on the condition that the goods purchased with this money were to come from the US. The drivers behind the ERP were a mixture of altruistic and egoistic motives. It created investment opportunities for the US and prevented Europe from turning communist. Total assistance was estimated at USD 13 billion for 1948-52, which amounts to around USD 130 billion at today's prices (Machado, 2008). This was 12.5% of US GDP at the time, and 10% of the GDP of the recipient countries. Its contribution to economic growth in Europe has been estimated at 0.5% p.a. by Eichengreen (1996).

While the ERP increased intra-European trade and boosted tangible investments, it was complemented in 1961 by the Fulbright Program for intangible investment, concentrating on knowledge transfer and improving cultural relations and mutual understanding. The positive impact on Europe has been experienced by generations of European students and researchers who have improved their knowledge and that of their home country through participation in the program.

Learning from ERP and Fulbright, we should bear in mind that the circumstances existing in the European neighborhood today do by far not resemble those at the time of the post-WW II programs. Western Europe before WWII had been a highly developed and industrialized area, with a skilled workforce and a resolute will to rebuild the destroyed industrial base and infrastructure. Today's European neighborhood is far more heterogeneous across regions and countries and even within most countries. In many of them, no stable government exists, regions are often ruled by tribes and production is dominated by agriculture.

2.2 Development policy and dependency theory

The literature on development policy is rather controversial. On the one hand, many authors and organizations call for increasing the public and private means for development and fighting poverty (Sachs, 2005, 2009). They criticize that actual aid by far misses goals, or that development assistance does not even match military expenditure. On the other hand, there is the critique that the support provided by industrialized countries to the developing world may have no effect or even a negative impact (Moyo, 2010) by discouraging reforms, endogenous innovations and national development strategies. Deaton (2013) demands stopping the mass of external aid flows to the poorest countries of the world, since it is most likely doing harm, not good. Bodomo (2017) argues against providing financial support in exchange for good governance since this might lead to instable political systems.

International organizations (OECD, IMF, European Commission) urge their members to raise development assistance, and Sachs is strongly on the side of this approach calculating huge funds needed to end poverty (and contradicting Collier, 2016, and Deaton, 2013). The OECD's Development Assistance Committee (DAC) suggested that official development assistance (ODA), such as grants and concessional loans, should amount to 0.7% of gross national income (GNI). DAC members have generally accepted this target, at least as a long-term objective, although actual implementation has only partially been successful. In 2016 the absolute net contributions to ODA, including countries outside of DAC, amounted to about USD 155 billion (OECD, 2017). The EU and its Member States are collectively the world's biggest contributors to development assistance, providing EUR 75.5 billion in 2016 (European Commission, 2017)[2].

Complementing programs of international organizations, the EU has a history of commitments to Eastern and Southern neighbors in order to foster stability, security and prosperity. The main instrument is the European Neighborhood Policy (ENP) which was launched in 2004 and comprises joint programs with partner countries in key priority areas. Following a revision in 2015, these

[2] The EU's development policy goes back to 1958.

include (i) differentiation in order to recognize the different aspirations of each country; (ii) joint ownership, based on both partners' needs and EU interests; and (iii) more flexibility in the use of EU instruments. The revision switches from the “less for less” to the "more for more" principle, making the magnitude of the support dependent on the progress a partner country in reforms (European Commission, 2003, 2017).

The dependency theory claims that – under free trade and very different levels of income, technological and financial strength – resources may even flow from the poor periphery to the wealthy core. Although many countries succeeded in reducing poverty dramatically in the last two decades, there are several “development traps”. Poor countries in open markets might specialize on products with low income elasticity. In resource abundant economies costs might rise and currencies appreciate, before they develop a manufacturing base (Dutch disease). Economic growth might be too slow given the rise of population and speed of urbanization. In most cases import substitution strategies instead of export promotion have failed too.

3. Dilemmas and Trade-offs

Any development strategy faces not only the problems of diversity, inefficient structures and diverging opinions within Europe, but also certain dilemmas and trade-offs that characterize policies which a region is willing and able to implement for other countries. In the following analysis, we call the supporters the "steering region" and the country into which investment or finance flows the "recipient".

“European Enlargement” vs. Partnership policy

Europe was preoccupied in the last two decades with the enlargement of the EU, first to Southern European Countries, then to Central and Eastern Europe, and now to the West Balkan. It resulted in a parallel policy for neighbors at the periphery – outside of the geographical Europe – which had no desire, and only remote chances, of eventually becoming members. Over the years the ENP has evolved as an alternative for accession but could still be viewed as an attempt to replicate the basic recipe for enlargement policy through exporting its norms, values and regulations. Cadier (2013) argues that partnership policies should rather “move away from the ghost of enlargement and function as a more coherent and assertive foreign policy instrument”.

Trade-off between trade and migration

An important issue in international economics is the trade-off between the movements of products and production factors. Model analyses showed that substitution prevails under low trade barriers and complementarity under high trade barriers, while a change from the low to the high tariff region or vice versa can result in either substitution or complementarity. According to Felbermayr *et al*. (2012), a crucial implication for migration policy is that restrictions on immigration may be foiled unless trade is restricted as well. In an empirical analysis of post-WWII developments, the data seem to reject substitutability, while they do not reject complementarity. Empirical investigations by Lund (2009), employing a gravity model approach for a selection of five EU countries, resulted in unequivocal support of the complementarity hypothesis. Although complementarity is weaker where free movement of goods and people are allowed, a policy conclusion holds for the EU: Migration is a potential source of welfare gains but will come hand in hand with income redistribution and wealth losses for specific groups of the society, demanding in turn compensatory policy measures.

Need for conditionality vs. prevention of imperialistic attitudes

The countries in the steering position are spending their taxpayers' money, which requires well-defined objectives and control of the flows. Recipients, on the other hand, have their own goals, historical priorities, organization and management, and thus favor a set of conditions which may be different from those of the steering group. A complete absence of conditions is obviously neither acceptable for the donor nor optimal for the recipient. A fair process of cooperatively defining goals involves admitting that joint learning is essential to overcoming the trade-off. A fair solution may be to switch to a "more for more" approach which is activating, while the alternative "less for less" policy is discouraging (Koenig, 2017; Morrissey, 2005; Watt, 2005). It should eventually result in replacing conditionality (as imposed by the IMF in the Structural Adjustment Programs) with a more symmetrical process of negotiated conditions. While in the past the SAPs may even have fostered unstable political systems, inefficient economies and corruption (Bodomo, 2017), today the programs of the IMF and the ENP are definitely more sensitive to national priorities.

Modern industrial structures vs. upgrading agriculture and SMEs

In the globalized world, large enterprises with networks of supply and distribution dominate world markets. In emerging economies, small and medium-sized firms prevail, often producing agricultural products or selling only regionally; they are less efficient and lack any export experience, but are well adapted to local needs, resources and knowledge. Increasing the scope of activities is easier if technology is imported, but endogenous technologies would provide a more sustainable competitive position. The need to strengthen the productive and technological basis is emphasized by "structuralist economics", an approach developed by economists in international organizations which stretches from its foundation by Raúl Prebisch to new structural economics (Lin, 2015).

Importing best technology vs. endogenous development

A trade-off exists between rapid development via imported technology versus protracted progress through endogenous technologies, thereby creating a more sustainable competitive advantage. The industrial policy in East Asia has successfully applied a strategy of copying plus improving and adapting (in a non-linear way bringing in new aspects). Digitalization can also be steered toward different uses; it can either diminish employment due to higher efficiency levels or create new products and jobs serving heterogeneous preferences. International technology usually boosts labor and capital productivity, while for emerging economies it would be preferable to enhance resource and energy productivity. Innovation, education and a reformed tax structure could support the "redirection of the technical progress". Favoring resource and energy productivity reduces emissions and would lead to a trajectory different from that of quick-starting development via technology imports.

Copying industrialized countries vs. heterogeneous visions of progress

Foreign dominance is not acceptable in the long run, but narrow-minded inward orientation has disadvantages too, as leading families, tribes and male networks tend to control the political system. The role of woman will remain traditional and family-centered, young people have to closely follow the tradition of their peers. The trade-off is between relying on pre-set foreign standards or developing a vision based on regional needs. The latter will lead to diversity in the social and economic systems. In management science this is regarded as an advantage for firms which may also have positive repercussions for societies and development. External pressure, global financial markets and international agreements accelerate change; a national vision can make development compatible with cultural habits and different development trajectories. Partnerships should respect or even support visions of the recipient country, but also offer the value system of the steering country as one pillar of new synergies.

Improving energy grids vs. developing decentralized alternatives

Raising incomes and boosting internationalization, closing trade deficits and increasing employment in the export sector increase the demand for energy, transport and energy-intensive basic goods. Water usage for large-scale agricultural production and evolving cities explode, leading to water abstraction, the straightening of rivers and building of huge dams. Yet alternatives exist which promote cooperation between small farmers, handicraft producers and small firms *inter alia* in the energy sector. Decentralized energy production using solar or wind technology reduces the need for power grids and pipelines, all the more if storage facilities improve. Countries catching up could become experienced platforms for new technologies also needed in industrialized countries. The trade-off between known, efficient technologies (with economies of scale and powerful grids) versus alternative decentralized technologies becomes more visible when the long-term "external" effects for society and the climate are highlighted by national and international emissions trading or taxes.

Family planning vs. overpopulation

High rates of global economic growth during recent decades and the UN millennium goals have led to declining child mortality and to longer life expectancy, which has contributed to rapidly rising populations, specifically in Africa. Catching up in terms of income per head and increasing female employment rates are curtailed by rapidly increasing populations. Development (specifically education) may reduce the number of births per woman, as formal employment, nascent health and pension systems reduce the importance of offspring as a form of old-age protection. The trade-off between increasing populations and social progress was addressed by China in its "one-child policy". As an alternative route to reducing births, Sachs (2005) has emphasized the importance of educating women.

Summing up, even if they cannot be eliminated, these dilemmas should be kept in mind in a European partnership strategy with its neighbors. Formulating them first, perhaps in a dichotomous way, is helpful for overcoming them later, at least partially.

4. The Level for Designing and Negotiating the Partnership

When negotiating a partnership model with European neighbors, a number of possible constellations may come into play: contracts can be drawn up between individual countries or between the EU and a block of countries or any combination thereof. In addition, private partners may also be involved. And it must be acknowledged that solutions need not cover total countries but could pertain to sub-national regions or local experiments.

Bloc to bloc (industrialized vs. developing countries): The most comprehensive approach would be an agreement between one multilateral organization of the steering bloc and one of the recipient regions. Such a solution would bundle interests on both sides and design the strategy by means of bilateral negotiations. Operationalization and monitoring success would be easier than in the case of decentralized models. The disadvantage of this solution is that a consensus may be difficult, first within both groups and then between them. Trade deals (TTIP, CETA) come nearest to this model and some of their problems would extend to development assistance.

Europe to bloc, to regional blocs, to country (decentralization on the recipient side): Trade agreements, technology transfer and security issues are often discussed between a European organization and a group of neighboring countries. Both partners profit if they cooperate with other international organizations, but even Europe does not speak with a single voice; this is demonstrated by the distribution of competencies within the EU Commission, where four Commissioners are responsible for external relations.

Bilateral (country to country): Some countries in Europe have closer relations with individual countries or sub-*regions in the neighborhood. It makes sense to use these relations to upgrade the partnership between Europe and its neighbors.* New bilateral negotiations have arisen as a result of recent migration flows. This led to questions of border control, the existence of inhumane refugee camps and forced repatriation. In some cases, Europe pays countries (e.g. Turkey) for not allowing migrants to transit to EU Member States.

Private donors/NGOs/ sponsoring, responsible investment: An increasing number of initiatives come from non-governmental organizations. Some are truly international in nature and have a specific focus (social, environmental and/or political), others are very specialized, either in terms of their purpose or region. Prominent sponsors are engaged in the transfer of technologies (access to water, waste and hygiene without water) that save lives. Some pension funds and sovereign investment funds invest in certified responsible projects, excluding projects with negative social or environmental impacts. A multitude of initiatives stem independently from recipient countries[3], but these also require funding, knowledge transfers or at least recognition.

[3] Millennium Africa Recovery Plan (MAP) and Omega Plan for Africa the New African Initiative (NAI), African Development Bank, Initiative for East and South Africa.

5. Funding Required and Methods to Raise It

The financial range to be mobilized for implementing a European partnership policy is not easy to determine, as is it not trivial to estimate how much is being spent already today. Among the reasons are the following: (i) the financial requirements depend on the ambition of whether to provide only short-term relief or a deeper strategic change improving the situation also in the long run; (ii) most estimates are regionally limited; (iii) estimates may refer to development assistance, partly also to peace building as well as military and security expenditures, or include support after catastrophes and epidemics; (iv) flows are often cumulated over a period, they can refer to investment or include operational costs; (v) costs may be covered by internal financing or depend on public spending and capital markets; (vi) figures can refer to actual expenditures or just plans.

The financial goal envisaged in this paper: We make the courageous assumption that an *additional amount of EUR 100 billion per annum* would be required for indispensable investments and operational costs. This money should particularly be spent on long-run projects including upgrading skills, schools, management expertise and governance. The geographical reach is the European neighborhood as defined earlier. Money spent on security and refugee programs, fighting illegal human trafficking and smuggling remain outside of this estimate. The EUR 100 billion assumption looks ambitious in relation to existing programs, but is a lower guess compared to the USD 600 billion estimated by the UN for achieving the SDGs and the 20 million jobs needed annually in Africa alone[4]. EUR 100 billion would be equivalent to 3% of the current GDP of Africa plus Middle East and 0.6% of Europe's GDP.

Estimate of current efforts: For the period 2014-2020, the overall financing of external activities from the EU budget and the European Development Fund (EDF) is targeted at EUR 82 billion. Funding flows through various instruments which are organized according to thematic and geographical topics[5]. The majority of these instruments is at least partly concerned with neighborhood and development issues. On an annual basis, official development aid by the EU, including bilateral ODA from Member States, is estimated to amount to some EUR 20 billion[6]. According to the European Commission, spending on behalf of the European neighborhood for the period 2014-2020 is mobilized through the External Financing Instruments (EFI) in the amount of EUR 17.4 billion, composed of EUR 15.4 billion via the European Neighborhood Instrument (ENI) and EUR 2.0 billion via the EU Emergency Trust Fund (EUTF) plus some funds for the migration compact. All these figures are cumulated over the planning period and have to be divided by seven to obtain an average annual flow. After excluding expenditures for military and humanitarian help, the existing expenditures for the European neighborhood are in the range of EUR 10 billion per year.

[4] The World Economic Forum (2017) estimates that some "15 to 20 million increasingly well-educated young people are expected to join the African workforce every year for the next three decades" (p.9).

[5] See https://ec.europa.eu/europeaid/funding/about-funding-and-procedures/sources-funding_en

[6] The Africa-EU Partnership, see http://www.africa-eu-partnership.org/en/about-us/financing-partnership .

Closing the gap to the goal for development assistance (ODA spending): Most rich countries have by far missed the UN goal of spending 0.7% of GNI on development assistance. The countries in the OECD Development Assistance Committee (DAC) donated only 0.31% of GNI in 2017); for the EU the figure is 0.49%. To approach the targeted level of spending from EU countries alone would thus require some EUR 28 billion annually of additional funding. Since national budgets are strained and most member countries attempt to cut deficits, the additional expenditure must be financed by cutting other expenditures. Obvious candidates would be cutting subsidies for agriculture which would yield a double dividend since it reduced the harm currently afflicted to agriculture e.g. in Africa.

Extending the idea of the "Juncker Fund": The Juncker Investment Plan for Europe, with the European Fund for Strategic Investments (EFSI) as its major pillar, was designed to deploy EUR 5 billion of European Investment Bank (EIB) resources and EUR 16 billion of guarantees to trigger, over a three year period, EUR 100 billion per year in economic activity (European Commission, 2014).

Inspired by the success of the Juncker Investment Plan, the European Fund for Sustainable Development (EFSD) was launched in September 2017. It intends to boost private and public investment in partner countries to address some of the obstacles to growth and root causes of irregular migration. With an input of EUR 4.1 billion from the EU budget and the EDF, cumulative investments of EUR 44 billion are expected over several years. If Member States match the EU contribution, the overall result could also double to EUR 88 billion (Chadwick, 2017). Extensions of this concept should be explored and marketed to international investors, but also government, civil society, youth and NGOs in all partnership countries.

New financial products: A major source of the funds needed could be provided by various new capital market instruments, such as the so-called Development Impact Bonds (DIBs) which could stimulate private and institutional investors to commit themselves to investments in the regions neighboring Europe. Take as an example the EIB Climate Awareness Bond, which is a form of Green Bond[7]. The EIB has collected over EUR 11 billion by emitting Green Bonds, EUR 3.8 billion in 2016 alone. The same could be done by offering an African/Middle East Development Bond, which could collect some EUR 1 billion per year, given that these bonds will furnish higher interest as the projects are riskier, but can be secured by the guarantees of international institutions and the EU. A common European bond for Africa would be much easier for Member States to implement and accept than Eurobonds.

Closing loopholes, illegal transactions, tax shelters: We aim to finance investments in general by avoiding additional taxes, as the tax level in Europe is already high. An exception could be an international tax on financial transactions. Here, an EU initiative could be successful, given Brexit and the sympathetic new government in France. Fighting tax evasion could be another revenue source without burdening the taxpayer, but its possible receipts have already been claimed for many other purposes.

[7] http://www.eib.org/eib.org/investor_relations/cab/index.htm

Redirecting money parked in successor funds of the US Marshall Plan: Finally, across Europe, the funds accruing from debt redemption of old Marshall Plan continue to be reinvested on a revolving principle. For example, in January 2007 the German government reorganized the ERP Special Fund and contributed EUR 4.65 billion to the acting bank Kreditanstalt für Wiederaufbau (KfW) as equity capital and EUR 3.25 billion as subordinated loans. In many European countries, the old funds are still available and could be redirected to Europe's neighbors.

Summing up: All the resources mobilized can be expected to have positive second-order effects if stability and dynamics increase, and organization and governance are improved. Although the proposed amount of an additional EUR 100 billion per year may seem ambitious, it is not beyond reach if the strategy for the European neighborhood is comprehensive, includes civil society and relies on innovative experiments including reforms in Europe as well.

6. Analysis of Similar Neighborhood Compacts

The success of the post-war US Marshall Plan has induced follow-ups, be it for the developing world as a whole or for a specific region. In recent years, proposals have centered on Africa. We mention three initiatives by the German government, the Senat der Wirtschaft -jointly with the Club of Rome-, and the Friends of Europe.

The German "Marshall Plan mit Afrika": The initiative of the German Ministry of Economic Cooperation and Development (BMZ, 2017) calls for a Marshall Plan with Africa resting on three pillars: (i) economics, trade and employment, (ii) peace and security, and (iii) democracy and the rule of law. Arms exports should be reduced, tax shelters closed, and illegal transactions stopped. The African Union (AU) and existing regional organizations should negotiate an African Continental Free Trade Area (CFTA)[8]. Existing funds and facilities for Africa should be utilized, in particular the African Peace Facility (APF), the Bekou Trust Fund, the EUTF fund (which addresses the causes of migration, but also illegal migration) and the EIP in general. The title of the plan was eventually changed from plan *for* Africa, to Plan *with* Africa to avoid any pretense of patronizing by Germany.

Senat der Wirtschaft/Club of Rome: The paper by Senat der Wirtschaft (2016) also envisages a kind of Marshall Plan for Africa. The plan centers geographically on North Africa and the MENA region, and refers to the Sahara and the Arab desert, a Joker for Africa's future since these regions could potentially provide any energy needed without resorting to fossil-based sources.

Friends of Europe: The proposal issued by Hughes (2017) is closer to the Senat proposal, though with a broader pro-future strategy; it has comparable goals, but a different underlying philosophy if compared with the document of the German government. Maybe its most important point is a vivid critique of the recent preoccupation of EU policy in relation to Africa with the problem of EU-inward migration (the "refugee problem"). An important proposal is to rely less on negative conditionality ("less if less") and more on positive conditionality ("more for more").

[8] The main objectives of the CFTA are to create a single continental market for goods and services, with free movement of business persons and investments, and thus pave the way for accelerating the establishment of the Customs Union.

Renewed criticism of the patronizing approach of Europe arose specifically after the G20 meeting in Germany in July 2017. To the disappointment of Africa, the documents presented had been worked out without the participation of African governments or its civic organizations (Collier, 2016). It would make sense if the process started with a summit during which African governments themselves could make commitments (presenting rules and guarantees). An even more fundamental criticism – following a line in development theory – is that help could in fact hurt more than improve the situation. Upgrading agriculture and better education are the keys to African development. There are currently many signs that Africa has already "woken up", at least in terms of young people being supported by civic society in many countries. The African Union's Agenda 2063 was a good start; many smaller and larger, private initiatives and NGOs have followed.

7. Towards a New Approach

Central to our proposal is that there is no single blueprint for a partnership and no single actor on either side. We feel, however, that a new strategy should be based on the following ten elements: (i) adopting a three-stage approach – decision of recipient countries, assistance program, partnership, (ii) applying a multi-level approach, (iii) favoring autonomous efforts of the recipient countries, (iv) assigning education and innovation as top priorities, (v) fostering Schumpeter–Al-Idrisi exchange programs, (vi) striving for ecological sustainability, (vii) removing obstacles created by Europe, (viii) building trust, (ix) maintaining long-run goals even in the face of the refugee crisis, and (x) recognizing the importance of a European partnership policy for all member countries.

Three-stage strategy: The process should ideally start with the decision by EU neighbors to focus on accelerating development and catching up. Following this "declaration of intent", Europe can fine-tune its strategy for assistance as well as its conditions for management and operationalization. This would allow assistance programs to deliver their full benefits without any paternalistic dominance by the steering countries. In the third phase, a true partnership of equals emerges, although the historical and cultural backgrounds and income levels may significantly diverge.

The need for a multi-level approach: There is a multitude of actors on the steering side: the EU, international organizations, sponsors, NGOs and sector initiatives. And there are governments, regions, civic society and often local organizations on the recipient side. Waiting for agreements between all steering countries and all recipient countries would unduly delay assistance. Coordination bodies for each partner could accelerate the process. And international conferences and blueprints for treaties make sense if they coordinate rather than prevent multi-level activities.

Autonomous components on the recipient side: Industrialized countries are inclined to assist other regions in catching up – based on a mix of egoistic and altruistic motives. The preferred long-run strategy is to develop the recipients' own priorities and alternative technologies. This enables more independent development and longer-lasting advantages circumventing "path dependency" of the incumbent. An autonomous component will best be furthered if governments refrain from top-down strategies and encourage bottom-up elements. The participation of young people is necessary, women should play a larger role, NGOs have to be included.

The all-important role of education, vocational training and innovation: Physical investments are the centerpieces of international cooperation programs, development assistance and catching up ambitions. However, the most important driver of growth and wellbeing is education, defined in a broad sense, from early age to recurrent learning. Education helps improving health, reducing child mortality and extending life expectancy. Education is also the most humane way of reducing overpopulation, it erodes the power of inherited structures and clans, and works against prejudices as well as authoritarian rulers. Literacy enables communication, the use of new technologies and the positive consequences of digitalization. It is not only the average level of education that determines the performance of economies, but also its distribution. Educational choices are very much inherited, dependent on the educational level of the parents, on religion as well as regional characteristics.

Schumpeter-Al-Idrisi exchange programs:[9] The proposed program extends the idea of the Fulbright Program, which connected US academia with European elites. Europe should now invite its neighborhood to study at its universities, to exchange scholars individually or as whole classes, and provide inter-cultural holiday camps. Researchers and innovative employees should be invited to spend sabbaticals at European firms, business schools and government training academies. Split professorships should be envisaged, where professors recurrently spend one term in a neighborhood country and one at a European university. The well-proven system of vocational training should be offered to all neighbors interested, with European teachers setting up facilities in neighborhood countries if these countries invite them.

The chances of sustainability, from decentralized energy to smart cities: Economic growth is often seen critically as it causes emissions, deforestation, land use and waste (the environmental footprint). It may also weaken personal contacts, empathy and leisure. Therefore, strategies have to be designed which rely on reduced emissions and improved social relations as drivers of development and assets to be exported. Africa can be the lab for a new sustainable development path, becoming the vanguard of locally produced alternative energy, successful reforestation, water sourcing and use under difficult circumstances.

The necessity of removing obstacles created by European policy: Although Europe is already investing in, and cooperating with, its neighboring countries, it also has a number of regulations which tend to restrict development, specifically in Africa. Removing them could be optimal for both partners, and would cost less than large assistance programs, require less organizational effort and less micro-intervention. An important example is the European Common Agricultural Policy, which provides immense subsidies to large European farmers. Because of the resulting low prices, EU agricultural products are even sold in Africa, preventing endogenous production and local distribution or export to near neighbors. Africa is also hampering its own progress by subsidizing fossil-based technologies or allowing illegal capital exports and arms purchases (SIPRI, 2017). In international trade agreements, Europe usually does not consider upgrading standards, and there is no differentiation based on the production technique used.

Building trust, improving the external view of Europe, partnership based on diversity: The relation between Europe and its neighborhood is coined by a dolorous history of conflicts, land and

[9] Schumpeter (1883-1950) was an Austrian economist known for technical but also societal innovations. Al-Idrisi was an African writer, cartographer and scientist with a multicultural background born in Ceuta in the year 1100.

resource grabbing and colonial regimes. Even if some of the problems originated long ago, it is vital to work on regaining or establishing trust at all levels, from governments, to media, schools and companies. The Schumpeter-Al-Idrisi program would work in this direction, but it requires intensive efforts, and any drive to fall back on old patronizing ideas is a threat capable of undermining the recovery of trust.

Long-run goals should not be overruled by the refugee crisis: The long-run goals of a European neighborhood strategy also contribute to solving the refugee crisis, as dynamic growth in the neighborhood weakens the motives for emigration and promotes the integration of migrants in Europe. In the last two years, policies have increasingly resorted to solving the refugee crisis by "bribing" governments in the neighborhood to hinder refugees from leaving their country, even by locking them up in internment camps. This is not optimal for Europe, since it prevents early integration and better allocation of migrants according to their skills and to job opportunities in Europe.

Finally, partnership policy is *an integral part of a responsible European globalization strategy*. All European countries should be involved, not only those “closer” to the neighborhood or the richer ones. Instruments and principles that facilitate long-run and deep transitions should be respected e.g. bundling reforms, engaging new actors (young people, women, NGOs, grassroots movements, the internet generation and social media). The progress should be measured not by GDP growth but by sustainable development targets, aiming for comprehensive goals and being open to compromises (Aiginger, 2016).

8. Conclusions

The European Union has to redefine its internal strategy, so as to overcome its growth fatigue and reconnect its members with the European “project” of promoting peace and openness. The US -retreating from multilateralism and globalization- and the ambition for world leadership on the part of China, as well as new technological trends, climate change and migration make it necessary but also profitable for Europe to look for new partners.

The first central message is that partnership will only work under strategies developed by each partner independently and then coordinated to create optimal synergies. In a world of large uncertainties, technical innovations, migration and climate change, it is important that both sides of a partnership learn and be prepared to adapt policy decisions and instruments.

The second conclusion is that this strategy will be advantageous for Europe as well as its neighborhood in Eurasia, the Middle East and Africa. A positive development in the neighborhood will increase European growth; it will make the migration flows manageable for Europe since it will upgrade the qualifications of inward migrants which Europe needs to stabilize its population.

Third, a partnership strategy requires Europe to remove obstacles to the endogenous development of partners specifically in Africa, such as its high subsidies for agricultural products and willingness of European Banks to accept illegal capital exports by neighbors. On the active side, Europe cannot offer military intervention, and also not invest as heavily in physical infrastructure as China. Its strengths are its practical education, inclusiveness and rule of law. Europe and its new partners should make use of the advantages of decarbonization, investing in decentralized renewable energy, and more efficient use of mineral resources and water.

Fourth, we estimate that additional investments of Europe in the neighborhood of about 100 billion € per year are necessary. This sounds like a large effort, but development assistance is currently far below past commitments, international investors are looking for investment opportunities outside the dollar area, and an External Investment Fund for sustainable development has been initiated. New "responsible bonds" can be created and guaranteed by the European Monetary System.

Converting a "ring of fire" into a "ring of friends" is possible and feasible with a new partnership between Europe and its neighbors. This will also help mitigate climate change and make globalization more inclusive and responsible.

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