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62. U.S. Policy toward Sub-Saharan Africa

Congress should

- expand the Africa Growth and Opportunity Act by granting tariff- and quota-free access to all imports from sub-Saharan Africa,
- end U.S. farm subsidies that help undermine African producers and keep food prices in the United States unnecessarily high,
- forgive sub-Saharan African debt on the condition of ending future official lending to governments in the region,
- oppose International Monetary Fund and World Bank lending to sub-Saharan Africa,
- discontinue the U.S. Africa Command that might draw the United States into more African conflicts and be viewed by Africans as a neocolonialist venture, and
- impose ''smart'' sanctions on leaders under strong suspicion of corruption and human rights abuses.

Sub-Saharan Africa (Africa hereafter) consists of 48 countries, making up an area of 9.4 million square miles and with a population of 782 million people in 2006. Africa is one of the poorest regions in the world. The UN Human Development Index, which measures quality of life around the world on a scale of 0 (low) to 1 (high), scored Africa at 0.493. The scores for the developing world and the United States were 0.691 and 0.951, respectively. Africa lags behind most of the world in practically all indicators of human well-being, including longevity, infant mortality, HIV, malaria and tuberculosis occurrence, nourishment, school enrolment, long-term economic growth, and income per capita.

The ability of the United States to help Africa is limited because most of Africa's development problems are caused by domestic factors requiring domestic solutions. Those problems are extensive and have been aggravated by arbitrary and authoritarian rule, which has been the norm for most of Africa's independence. Centralized political control has undermined political stability, the rule of law, the security of individuals, the protection of private property, and growth.

Indeed, most African governments have imposed central control over their economies, a development strategy not conducive to economic growth. Inflationary monetary policies; price, wage and exchange rate controls; marketing boards (which keep the prices of agricultural products artificially low, thus impoverishing African farmers); and state-owned enterprises and monopolies are commonplace.

Microeconomic policy in the region has also been counterproductive. For example, business regulation in Africa remains much too restrictive. It takes only 2 days for an entrepreneur to start a business in Australia, but 155 days in the Democratic Republic of Congo. No minimum capital is required to start a business in Singapore, but a minimum capital requirement equal to 1,532 percent of the average annual income is needed in Ethiopia. It takes 83 days to enforce a contract in Denmark, but 1,011 days in Angola.

African governments also restrict foreign and domestic investment, and Africa's tariffs are among the highest in the world. According to the World Bank, the average applied tariff on imports to African countries is 14.03 percent. Djibouti, Africa's most protectionist country, implements an average applied tariff of 30.2 percent on imported goods. In contrast, the average tariff of emerging economies like Chile, South Korea, and Taiwan is 5.6 percent.

On the whole, African economies continue to be largely unfree. According to the *Economic Freedom of the World* report, economic freedom in Africa increased at a very sluggish pace in recent decades. On a scale of 0 to 10, where 10 represents the highest measured level of freedom, Africa moved from 4.6 in 1980 to 5.8 in 2006. In contrast, economic freedom in the United States was 8.04 in 2006.

Botswana is a rare exception. Botswana's economic freedom increased from 5.8 in 1980 to 7.0 in 2006. Between 1980 and 2006, Botswana was consistently ranked among Africa's three freest economies. Between 1980 and 2006, its compounded average annual gross domestic product growth rate per capita was 5.4 percent. In Africa, average per capita growth was −0.25 percent. Botswana's GDP per capita adjusted for inflation and purchasing power parity rose from $3,325 in 1980 to $12,121 in 2006.

In Africa as a whole, income stagnated, going from $1,715 in 1980 to $1,727 in 2006.

As long as its economic freedom remains low, Africa's economic performance will continue to disappoint. Similarly, African countries are unlikely to escape poverty as long as their governments remain unaccountable and their actions arbitrary. Unfortunately, there is little the United States can do to positively influence the evolution of Africa's governing institutions and the policies that African countries adopt.

Free Trade

The United States can help by further opening its markets to African exports. Congress has taken a step in the right direction, by adopting the Africa Growth and Opportunity Act in 2000 and later extending it to 2015. With the addition of Togo in April 2008, 40 African countries are now eligible to export to the United States under the terms of the act. In 2007, over 98 percent of U.S. imports from AGOA-eligible countries entered the United States duty-free.

In 2007, AGOA imports totaled $51.1 billion. That amount was more than six times the value of AGOA imports in 2001—the first full year of AGOA provisions. Although petroleum products accounted for most of the AGOA imports, nonoil AGOA imports doubled to $3.4 billion since 2001. Moreover, between 2006 and 2007, U.S. exports to Africa increased by 19 percent to $14.4 billion.

The benefits of free trade are political and economic. First, free trade can be a potent weapon against terror directed against the United States. Apparel trade with the United States alone has created tens of thousands of jobs in the AGOA countries. Such increased economic interconnectedness between the world's trouble spots and the United States may help dissuade potential terrorist sympathizers from harming the United States. National security considerations are clearly relevant to Africa. American lives and assets were targeted in the 1998 embassy bombings in Kenya and Tanzania. Al Qaeda activities have been reported in Somalia and Sudan.

Second, trade increases specialization. Increased specialization leads to increasing productivity. Reductions in the cost of production lead to cheaper goods and services, which, in turn, increase the standard of living for Americans and Africans alike. Unfortunately, Washington limits the economic benefits of AGOA by excluding a variety of products, including those in which Africa could have a comparative trade advantage, from tariff- and quota-free treatment. For example, the United States restricts imports of cotton, sugar, some dairy goods, soft drinks, cocoa products, coffee, tea, tobacco, and peanuts.

Researchers at the World Bank, the IMF, and the University of Maryland found that AGOA yields only 19 to 26 percent of the benefits that it could if it were comprehensive and unconditional. Concerns that further trade opening would negatively affect the number of American jobs are misplaced, especially since AGOA's share of American imports is only 3.3 percent—and it is made up mostly of oil.

While opening U.S. markets to African goods can help Africa, such a move is not sufficient to bring Africa out of poverty. For Africa to prosper, African countries will have to cut their own external and internal trade barriers and undertake wide-ranging economic reforms that will enable Africa's private sector to grow.

Agricultural Subsidies

In addition to making AGOA comprehensive and unconditional, the U.S. government should stop subsidizing the American agricultural sector. The 2008 Farm Bill, which prescribes subsidies and other support for agriculture, will cost U.S. taxpayers $307 billion over the next five years.

Ending farm subsidies would make some agricultural products exported by African countries more competitive, raising farm incomes and reducing poverty in Africa. A recent Oxfam study, for example, found that a complete removal of subsidies to American cotton growers would increase the world price of cotton by between 6 percent and 12 percent, and increase household income in West Africa by between 2.3 percent and 5.7 percent. A richer Africa would provide a more lucrative environment for American firms. Greater economic interdependence and rising prosperity would improve relations between the United States and Africa, and enhance U.S. security.

Foreign Aid

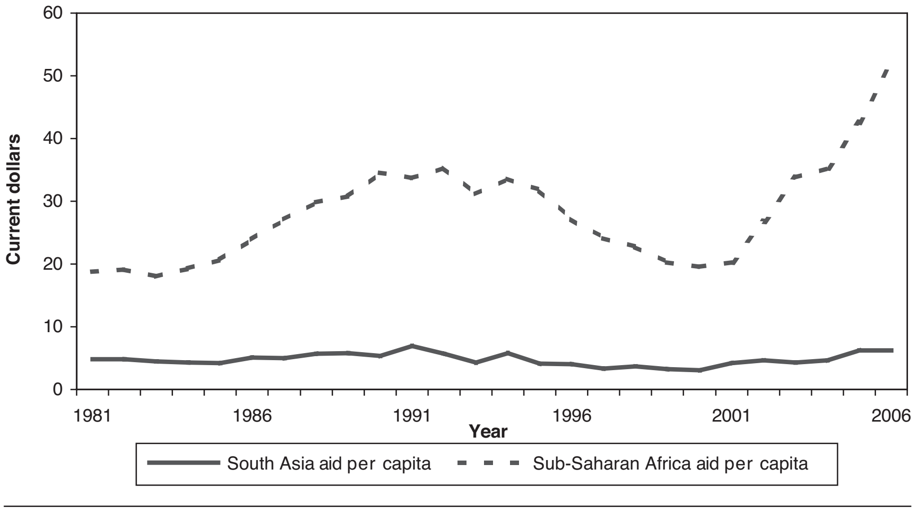
Between 1960 and 2006, U.S. annual official development assistance to Africa increased from $211 million to $5.6 billion in constant 2006 dollars, an increase of an astonishing 2,661 percent. The ratio of U.S. aid to Africa as a percentage of the entire U.S. aid budget rose 17 times, from 1.4 percent in 1960 to 23.8 percent in 2006. Aid to Africa more than tripled under President Bush. Unfortunately, U.S. aid to Africa has done little to promote economic growth.

British economist Peter Bauer once described foreign aid as ''taxing poor people in rich countries and passing it on to rich people in poor countries.'' That is an especially accurate description of aid to Africa. Aid there has increased the size of government to the detriment of the private sector. It has enabled government officials to embezzle large amounts of money and misspend much on loss-making projects. Citizens were left with large debt. Africa has been one of the largest recipients of aid per capita (see Figure 62.1). But, as Figure 62.2 shows, African economic performance has been very poor. Today, most researchers agree that economic growth depends on market-oriented domestic policies.

Countries that follow sound economic policies grow regardless of aid. A comparison between two similarly poor regions, Africa and South Asia (Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka), may be instructive. As Figure 62.1 shows, between 1981 and 2006, aid to Africa averaged $29 per capita per year (in current dollars). The comparable figure for South Asia was $5. Over those 25 years, South Asian GDP per capita grew at a compounded average annual rate of 3.63 percent. In contrast, growth in Africa hovered around zero.

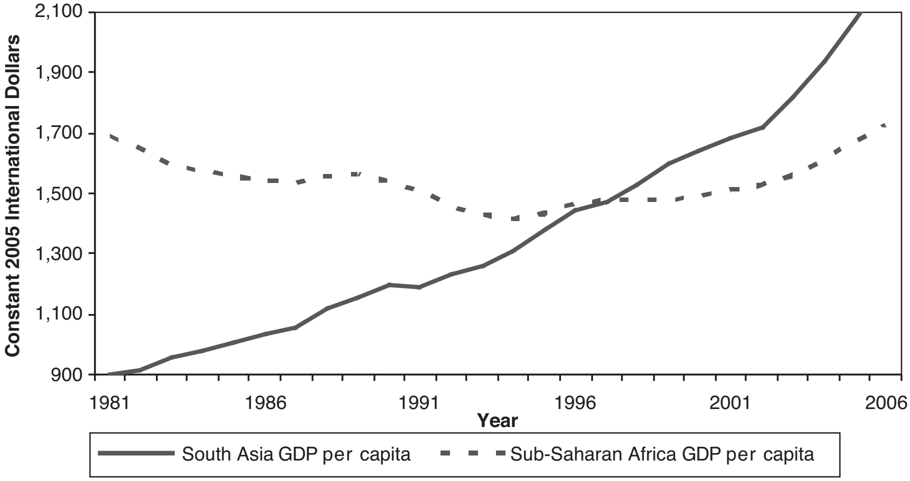
As Figure 62.2 shows, South Asian GDP per capita grew from $901 in 1981 to $2,215 in 2006. By the same measure, African GDP per capita barely moved—from $1,687 to $1,727.

Figure 62.1
Foreign Aid to Sub-Saharan Africa and South Asia, 1981–2006



SOURCE: World Bank, *World Development Indicators Online.* http://go.worldbank.org/6HAYAHG8H0.

Figure 62.2
Per Capita Income in Sub-Saharan Africa and South Asia, 1981–2006



SOURCE: World Bank, *World Development Indicators Online.* http://go.worldbank.org/6HAYAHG8H0.

The percentage of people in Africa living on less than $1 a day decreased by 5.6 percentage points—from 46.7 percent in 1990 to 41.1 percent in 2004. During the same period, absolute poverty in South Asia declined by 12.2 percentage points—from 43 percent to 30.8 percent. The National Bureau of Economic Research estimated that 1 in 10 people surviving on less than $1 a day in 1970 lived in Africa. In 2004, that number was 1 in 2.

Aside from bilateral aid, Washington also participates in multilateral aid schemes overseen by a variety of international institutions, including the World Bank, the African Development Bank, and the International Monetary Fund. Those multilateral institutions have also backed African regimes that have engaged in gross macroeconomic mismanagement. And although the World Bank's structural adjustment programs and IMF lending were designed to provide credit in exchange for economic reforms in the region, African compliance with lending conditions has been poor or nonexistent. For example, Daniel arap Moi of Kenya ''sold'' the same package of reforms to the World Bank and the IMF several times. Similarly, Robert Mugabe broke a number of promises to liberalize the Zimbabwean economy. When policy mistakes resulted in Zimbabwe's economic decline, Mugabe blamed the World Bank and IMF, and their main sponsor, the United States.

The World Bank and IMF do not have the ability to enforce compliance with their loan conditions. Yet both agencies keep lending and Africa's debt continues to accumulate. Out of the 33 countries approved to receive debt relief under the Heavily Indebted Poor Countries Initiative, 27 are African. In 2005, Africa's long-term debt stood at $177 billion, of which $164 billion or 93 percent was public or publicly guaranteed debt (i.e., debt owed by or guaranteed by African governments). That is a dramatic testament to the failure of foreign aid in Africa.

Much of the debt incurred by African governments was misallocated by incompetent government officials or stolen. The people of Africa received few or no benefits. The United States could forgive its share (3.3 percent) of the HIPCs' debt, but debt cancellation will work only if the United States and other official creditors refuse to lend to African governments in the future. Indeed, despite receiving $33 billion in debt relief between 1989 and 1997, HIPCs kept borrowing and falling further into debt. That necessitated another round of debt relief under the auspices of the Multilateral Debt Relief Initiative. In 2005, the year the MDRI came into existence, the debt relief in question was worth an estimated $69 billion in net present value terms.

To break this vicious cycle, HIPCs should rely only on private lenders. Private lenders should be made aware that Western governments will not bail them out in case of a sovereign default. That will make lenders more circumspect when lending money to African countries. Greater scarcity of capital and higher interest rates may encourage African governments to liberalize.

AFRICOM

The U.S. Africa Command began operations on October 1, 2007. The military unit has 600 U.S. personnel currently assigned to it, with plans to expand it to 1,300. AFRICOM is currently stationed in Germany but may soon relocate to an African country, possibly Liberia. In 2008, AFRICOM had a budget of $75.5 million. That was projected to increase to $392 million in 2009. AFRICOM intends to focus on war prevention and to work with African countries to build regional security and crisis-response capacity.

If history is any guide, AFRICOM's mission will expand—as will the number of its personnel. That is partly why most African governments reacted to its creation with apprehension. For example, Nigeria and South Africa, Africa's most powerful nations, have expressed their reservations, claiming that AFRICOM would lead to unwanted expansion of American military influence in Africa and turn the continent into another battleground in the war on terror.

Still others see AFRICOM as a neocolonial adventure necessitated by America's hunger for Africa's natural resources. American decisionmakers should not underestimate African nationalists' continued suspicion of Western motives and their likely perception of AFRICOM's goals as a smoke screen for an American attempt to grab Africa's mineral wealth.

Moreover, most Americans oppose the United States' acting as the world's policeman. Given that African conflicts pose no compelling threat to the vital national interests of the United States, there is little public support for the creation of a new institution to coordinate such activities in Africa.

Smart Sanctions

In cases of gross human rights violations, some form of sanctions may be deemed essential. In the past, few international economic sanctions intended to change the policies of the targeted country have met with success. Global agreement on imposition of sanctions is difficult to reach. Moreover, sanctions tend to harm the poor much more than the ruling elite. They often strengthen the ruling regime and encourage nationalism. The United States could help Africa, however, by targeting those leaders in the region, who are strongly suspected of corruption and abuses of human rights. ''Smart sanctions'' are unlikely to bring about change in government, but they do make the lives of the ruling elite more difficult.

Measures that should be considered against African dictators and their collaborators include international arrest warrants, freezing of personal assets abroad, prohibitions on travel, and arms embargos. The United States imposed a variety of targeted sanctions on Robert Mugabe of Zimbabwe and his chief lieutenants, which further weakened and isolated the regime in Harare.

Suggested Readings

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