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79. 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 undermine African producers and keep food prices in the United States unnecessarily high;
- discontinue bilateral aid to African governments, and oppose International Monetary Fund and World Bank lending to the governments in the region;
- discontinue the U.S. Africa Command, which might draw the United States into more 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 (hereafter "Africa") consists of 46 countries and 9.4 million square miles. One billion out of 7 billion people on earth live in Africa. The continent's share of the world's population is bound to increase because Africa's fertility rate remains higher than elsewhere. In 2014, for example, Africa's fertility rate was close to five births per woman. In America, it was close to two births per woman. If current trends continue, there will be more people in Nigeria than in the United States by 2050.

Africa is the world's poorest continent, but it is no longer a "hopeless continent," as *The Economist* described it in 2000. Since the start of the new millennium, average per capita income adjusted for inflation and purchasing power parity rose by more than 50 percent. Africa's growth rate has averaged almost 5 percent per year not only as a result of high commodity prices, but also as a result of better economic policies.

Increasing wealth has led to improvements in key indicators of human well-being. In 1999, 58 percent of Africans lived on less than $1.90 per person per day. By 2011, 44 percent lived on that income—while the population rose from 650 million to 1 billion. If the current trends continue, Africa's absolute poverty rate will fall to 24 percent by 2030.

Life expectancy rose from 54 years in 2000 to 62 years in 2015. Infant mortality declined from 80 deaths per 1,000 live births to 49 deaths over the same time period. When it comes to HIV/AIDS, malaria, and tuberculosis, the occurrence, detection, treatment, and survival rates have all improved. Food supply exceeds 2,500 calories per person per day (the U.S. Department of Agriculture recommends consumption of 1,900 calories for moderately active women and 2,500 calories for moderately active men), and famines have disappeared outside of warzones. Primary, secondary, and tertiary school enrollments have never been higher.

In contrast to previous decades—when much of the continent eschewed globalization, competition, free trade, foreign direct investment, and multinational corporations—an increasing number of African governments appreciate the benefits of participating in a global economy. Since the start of the new millennium, economic freedom has grown and the business environment has improved.

Conversely, there has been no substantial improvement in the quality of Africa's institutions. The quality of the rule of law and the levels of corruption are strikingly similar to what they were in 2000. Similarly, political and civil freedoms have not noticeably improved.

Looking forward, Africa's demographic and economic expansion will present the United States with unique opportunities and challenges. The continent's natural resources will remain important, and its agricultural potential will grow. The rising affluence of the African consumer will make the continent more lucrative to American businesses. Whatever challenges pertaining to Africa's economic and institutional development remain, Americans need to recognize that the ability of the United States to influence Africa's politics and economics is limited. Most of Africa's developmental challenges are caused by domestic factors that require domestic solutions.

Domestic Reforms

Much of Africa's postcolonial history was marked by governments' mismanagement of the economy. African governments long imposed central control over their economies—a development strategy that was not

conducive to economic growth. Inflationary monetary policies; price, wage, and exchange rate controls; marketing boards that kept the prices of agricultural products artificially low and impoverished African farmers; and state-owned enterprises and monopolies were commonplace.

That began to change after the fall of the Berlin Wall. Socialism lost much of its appeal, and the Soviet Union, which bankrolled and protected many African dictatorships, fell apart. Between 1990 and 2013, economic freedom as measured by the Fraser Institute rose from 4.77 out of 10 to 6.29. Freedom to trade rose even more, from 4.21 to 6.43. Africa has also made much progress in terms of monetary policy, or access to sound money, which rose from 5.08 to a remarkable 7.29.

Africa has made similar strides in terms of microeconomic policy. As the World Bank's *Doing Business* report indicates, Africa's regulatory environment is much improved. Starting a business, for example, is much easier than in the past, having risen from a score of 42.5 out of 100 in 2004 to 71.4 in 2015. Construction permitting; resolution of insolvencies; enforcement of contracts; access to electricity; and the ease of paying taxes, registering property, and getting credit have all improved considerably.

As already noted, political reforms have lagged behind economic reforms. According to Freedom House's *Freedom in the World* 2016 report, there were only six free countries in Sub-Saharan Africa: Benin, Botswana, Ghana, Namibia, Senegal, and South Africa. While many countries have adopted more "democratic" constitutions that include term limits and other legislative and institutional checks on the executive branch of government, African rulers have found ways around those provisions to maintain power and abuse it. According to the World Bank, corruption continues to thrive among government officials and, importantly, among members of the judiciary. As a consequence, rule of law indicators for African countries have remained, by and large, unchanged. And without efficient and impartial courts, Africa's economic potential will always remain unfulfilled.

That said, as experience in other regions shows, institutional development tends to lag behind economic reforms. In the medium to long run, the growth of the African middle class might yet result in political awakening and greater assertiveness of the African populace and eventual democratization of the continent.

Free Trade

The United States can help by further opening its markets to African exports. Congress took a step in the right direction by adopting the Africa

Growth and Opportunity Act (AGOA) in 2000. In 2015, AGOA was extended until 2025. Today, 39 African countries remain eligible to export to the United States under the terms of AGOA. In 2013, about 91 percent of U.S. imports from AGOA countries entered the United States duty-free. Combined two-way trade between the United States and AGOA countries doubled between 2001 and 2014, with a peak in 2008 of almost $100 billion. The global financial crisis and declining U.S. reliance on foreign oil have reduced the total amount of trade between the United States and AGOA countries to roughly $50 billion per year, with Africa's trade surplus amounting to some $2 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. By providing opportunities, 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. Second, trade increases specialization, which 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 in two specific ways. First, some quotas predate AGOA and were not amended by the legislation. Second, AGOA excludes some agricultural products from duty-free access, including sugar, tobacco, dairy, beef, and processed agricultural goods such as dried garlic, canned peaches, and apricots.

While opening U.S. markets to African goods can help Africa, such a move is not sufficient to bring Africa out of poverty. 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 over 10 percent. In contrast, the average tariff applied by emerging economies like Chile, Vietnam, and Taiwan is less than 6 percent. For Africa to prosper, African countries will have to cut their own external and internal trade barriers and continue with 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 2014 farm bill is expected to cost the U.S. taxpayer $956 billion

between 2014 and 2023. If history is any guide, the cost of farm subsidies will rise. The 2002 farm bill, for example, cost 30 percent more than the expected $451 billion. The 2008 farm bill cost the taxpayer 42 percent more than the projected $641 billion.

Ending U.S. farm subsidies would make some agricultural products exported by African countries more competitive, raising farm incomes and reducing poverty in Africa. According to Oxfam International, for example, some 10 million people in Central and West Africa who rely on the production and sale of cotton lose up to $250 million a year due to Western subsidies. Agricultural subsidies are a waste of taxpayer dollars and morally indefensible with regard to the world's poor. They should be abolished.

Aid and Debt

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. Instead of stimulating private-sector growth, aid has increased the size of government. It has enabled government officials to embezzle large amounts of money and misspend much of it on loss-making projects. Crucially, aid has served as a disincentive to economic and political reforms. Today, most researchers agree that economic growth depends on market-oriented domestic policies, not aid.

Since most African nations gained independence in the 1960s, the region has been one of the largest recipients of aid per capita. Yet the region's growth rate averaged less than 2 percent per year during the final 15 years of the last millennium and has averaged close to 5 percent since the start of the new millennium. The difference in the growth rates then and now is not due to the increased amount of aid, but rather to high commodity prices and domestic reforms.

Considering the negative consequences of aid and the precarious state of American finances, it is surely time to stop transferring financial resources to governments abroad. The sums are not trivial. In 2001, the USAID spent $15 billion on foreign aid globally, with disbursements in Africa amounting to $1.7 billion. In 2014, USAID spent $41 billion globally, with disbursements to Africa amounting to $10 billion. Put another way, in 2001, the USAID spent every ninth dollar in Africa; in 2014, it spent every fourth dollar in Africa.

If Congress insists on spending resources on "African" projects, then developing human capital might deliver greater dividends than giving money to African governments. More African judges and lawyers, for example, might benefit from observing the workings of an efficient and impartial judiciary in the West. Similarly, African businessmen and women might benefit from easier travel to and work in the United States, thereby learning best business and accounting practices. Congress could help build Africa's human capital by relaxing visa and work requirements for Africans and could even offer scholarships and apprenticeships to qualified applicants.

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 (IMF). Those multilateral institutions have often backed unsavory African regimes that have engaged in human rights abuses and gross macroeconomic mismanagement. And although the World Bank's structural adjustment programs and IMF lending were designed to provide credit in exchange for reforms in the region, African compliance with lending conditions has been poor or nonexistent.

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. Under the Heavily Indebted Poor Countries Initiative, close to 30 African countries received some form of debt relief amounting to tens of billions of dollars. As a consequence, Africa's debt to gross domestic product ratio fell from 66 percent in 2000 to a low of 24 percent in 2008. Since then, the ratio has climbed back up to 36 percent.

Unlike in the past, when African governments borrowed almost exclusively from official creditors, such as the World Bank and the IMF, today Africa owes roughly half of its $250 billion debt to private creditors. This is a step in the right direction because private lenders tend to be more circumspect when lending money to African countries and more insistent that African governments fulfill their commitments to reform and repayment. The discipline that markets impose on historically irresponsible governments would be much enhanced if official aid to Africa ceased.

China

In 2008, *The Economist* published an article bemoaning the supposedly massive Chinese expansion in Africa entitled "The New Colonialists." According to the article, many Western diplomats and politicians worried

about "losing Africa to China." By 2015, *The Economist* published a follow-up story entitled "Not As Easy As It Looks." The article noted that "Western worries about China's burgeoning influence in Africa may be overblown." What happened?

Chinese investment overseas is unusual, because some, perhaps most, of China's foreign direct investment (FDI) is driven by the foreign and domestic policy goals of the Chinese government, not by the commercial objectives of the Chinese private sector. And Chinese investment in Africa ought to be kept in perspective. The stock of Chinese investment in Africa stood at $26 billion in 2013 or 3 percent of total FDI on the continent. British and French firms remain the largest investors in Africa. Even American and South African firms invest more on the African continent than China does.

Moreover, while an estimated 1 million Chinese people have moved to Africa over the last 20 years, the Chinese still constitute a mere 0.1 of people who live on the continent. The combination of the Chinese presence in Africa and Chinese business practices has led to xenophobia and resentment, as well as thousands of anti-Chinese protests on the continent.

Most important, the Chinese have found that doing business in Africa is more difficult than elsewhere. Lack of basic infrastructure (including ports and roads), byzantine bureaucracy, and lack of reliable electric supply have put a stop to many of China's larger ambitions. In the Congo, for example, a deal struck in 2007 to swap $6 billion of Chinese infrastructure funding for profits from copper mining has produced less than $1 billion of investment so far.

AFRICOM

The U.S. Africa Command (AFRICOM) began operations on October 1, 2007. Today, AFRICOM has approximately 2,000 assigned personnel. About 1,500 people work at the command's headquarters in Stuttgart, Germany. Others are assigned to AFRICOM units at MacDill Air Force Base, Florida, and Royal Air Force Molesworth, United Kingdom. In 2015, AFRICOM had a budget of $248 million.

Unlike America's other regional commands, AFRICOM is not intended merely to manage military planning in its area of responsibility. Instead, AFRICOM's mission is to coordinate with other U.S. agencies, such as the USAID, to help African governments establish peace and stability and bring about economic development. AFRICOM's mission assumes not

only that American military officers know the causes of Africa's problems, but that they are able to help Africans to fix those problems.

Originally, AFRICOM was meant to be headquartered in Africa. But things have not gone as planned. Many African nations proved unsuitable to host AFRICOM because of political instability, ongoing civil wars, or large and unfriendly Muslim populations. Other countries saw AFRICOM as a neocolonial adventure necessitated by America's supposed hunger for Africa's natural resources. Nigeria and South Africa, for example, have been vocal in their opposition to the expansion of American military presence in Africa.

Another problem with AFRICOM is the lack of full cooperation from the State Department, which has been reluctant to subordinate U.S. diplomats to the U.S. military. With good reason, the State Department believes that America's African embassies are a better place than military bases in Germany from which to engage with African governments.

AFRICOM's advocates imply that terrorist organizations, such as al Qaeda, would end up running much of Africa were it not for the military training that AFRICOM provides to the African militaries and water wells that it helps dig in African villages. In reality, Africa has, so far, proved to be inhospitable to both foreign state-builders and international terrorists alike.

Thus, AFRICOM has not had real impact on America's security. 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, AFRICOM should be disbanded and American troops should return home.

Smart Sanctions

In the past, the United States has often imposed some form of sanctions to punish the perpetrators of gross human rights violations. However, it is important to recognize that few international sanctions have led to policy changes in targeted countries. To the extent that they helped to end apartheid, the success of sanctions against South Africa appears to be an exception, not the rule.

There are a number of reasons for the limited effectiveness of sanctions. Global agreement on imposition of sanctions is difficult to reach and even more difficult to maintain. Moreover, as sanctions against Saddam Hussein's Iraq showed, all too often it is the poor who suffer, not the ruling elite. Should the United States feel compelled to target those leaders

in Africa who are strongly suspected of corruption and abuses of human rights, it might consider resorting to international arrest warrants, freezing of personal assets abroad, prohibitions on travel, and arms embargos. That said, caution is in order: there is little evidence that such "smart sanctions" will bring about change in government policies or make the lives of the ruling elite more difficult. For example, in spite of "smart sanctions" imposed on him and his cronies by the United States in 2003, Robert Mugabe continues to run Zimbabwe, enjoys shopping and travel overseas, and maintains access to the best international health care. At home, he uses "American sanctions" to stoke up anti-Western sentiments and blame the United States and other Western powers for Zimbabwe's economic problems.

The chief responsibility for the quality of government on the African continent rests with the African people, not with the well-meaning Americans.

Suggested Readings

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