

foreign policy *in focus*



Interhemispheric Resource Center
and
Institute for Policy Studies



Economic Policy Toward Africa

Africa is frequently termed a paradox: arguably the world's richest continent in natural resources, the people in its 50 some countries are among the world's poorest. While trade with Africa has been growing in real terms, its share of overall world trade has dropped to a minuscule 2 percent, and the gap between Africa's level of economic development and that of virtually every other area of the world is widening. This has not always been the case and today the issue has become whether Africa's economic marginalization is an effect or a cause of the continuing impoverishment of Africa.

In 1970 the average gross domestic product (GDP) per capita was about the same for Africa, South Asia, and

Key Points

- For 20 years the gap has been widening between the level of economic development in Africa and every other area of the world.
- Declining commodity prices cost Africa \$50 billion in export earnings, twice the amount Africa received in foreign aid between 1986 and 1990.
- 50 percent of Africans live below the poverty line; 40 percent live on less than \$1 a day.
- Debt servicing claims over 80 percent of Africa's foreign exchange earnings, and is rising.

Pacific Asia. From 1970 to 1992, however, GDP per capita grew by only \$73 dollars in Africa, while in South Asia it increased by \$420 and in Pacific Asia by \$900. Between 1975 and 1995 annual growth rates for the African continent fell from about 5 percent to 3 percent—only slightly higher than population growth.

Africa's economic crisis has its roots in colonial economic structures that extracted agricultural commodities, minerals, and other raw materials, while doing little to develop industries or infrastructure. Over time the price of most of Africa's raw material exports

have declined in relation to imported machinery, spare parts, other finished goods, and oil. In the 1970s Africa's oil-importing countries were badly hurt by two steep hikes in world petroleum prices, declining commodity prices, heavy borrowing from international banks, a dramatic rise in interest rates, and then a world recession.

In the early 1980s commercial banks stopped new lending to developing countries. While much of the borrowed money had been spent for manufactured imports as well as improvements to schools, hospitals,

public transportation, and other essential government services, other funds were wasted on ill-conceived development projects, pocketed by corrupt officials, or used for military build-ups.

Between 1986 and 1990 declining commodity prices cost Africa \$50 billion in lost export earnings, more than twice what it received in aid during this period. Terms of trade plummeted for most African exports—cotton, gold, peanuts, cocoa, tungsten, coffee, and sugar—requiring these countries to export two to three times the amount of goods to earn the same revenue. Africa's share in world trade fell from 5 percent in 1980 to 2.2 percent in 1995.

Consequently, the proportion of Africans living in absolute poverty increased in the 1980s. In 1993, 40 percent of sub-Saharan Africans lived on less than \$1 a day. About 50 percent currently live below the poverty line, and the depth of poverty—how far incomes fall below the poverty line—is greater in sub-Saharan Africa than anywhere else in the world.

This destitution violates all norms of decency, especially when expressed in terms of denial of basic human needs. Forty percent of Africa's population suffer from malnutrition and hunger. Primary school enrollment is only 67 percent compared with 94 percent in South Asia and 100 percent in East Asia. Primary health services are generally unavailable, reflected in an infant mortality rate of 93 per 1000, twice as high as Latin America and nearly three times higher than East Asia.

Given decline of growth and terms of trade for Africa, it is little surprise that debt servicing claims over 80 percent of the continent's foreign exchange earnings. Excluding South Africa, Africa's debt is \$199 billion or 20 percent higher than its total annual income and nearly four times its annual export earnings. For countries like Tanzania and Madagascar scheduled debt service is more than foreign exchange earnings from exports. The total debt of sub-Saharan Africa rose by 5 percent in 1995, after a similar rise in 1994. Up to \$200 million in official development aid is diverted annually from development to refinancing debt.

Despite the Clinton administration's pledge to give Africa "the attention it deserves," the continent remains largely off the map of Washington's globalization super-highway.

Compared with other industrial countries, the U.S. gives the smallest percentage of its GNP (0.1 percent) in overseas aid. U.S. assistance to sub-Saharan Africa peaked in 1985 when global competition with the Soviet Union was at a high. U.S. aid has since declined, and Congress cut African development and child survival aid a hefty 25 percent between 1995 and 1996—to \$630 million or \$1.20 per person. In comparison, Israel received \$1.2 billion in economic aid or \$200 per person.

World food aid and world grain stocks have both fallen to a 20-year low. Sub-Saharan Africa's food security situation is the world's most "precarious," with 14 of the 48 countries "facing exceptional food emergencies," according to the General Accounting Office (GAO).

The little aid the continent does receive goes to very few. In the past it has been to Egypt, Morocco, and Zaire—all strategic allies. For 1997, the scheduled U.S. aid is mainly for South Africa, Uganda, Ethiopia, and Ghana. Only occasionally has the U.S. cut off aid to African allies who have grievous human rights records. U.S. aid to Zaire and Nigeria was recently suspended after international uproar over human rights abuses; a similar situation occurred in the late 1980s when the U.S. finally stopped aid flowing to apartheid South Africa.

Africa's steep economic decline, beginning in the late 1970s, led U.S. Agency for International Development (AID), together with other donor and lending agencies to impose restructuring conditions aimed at making Africa's economies more market-oriented and open to foreign traders and investors. To obtain loans and assistance, African governments have been forced to agree to often crippling policies including lowering many trade barriers, cutbacks in social services, elimination of food and other subsidies, privatization of most government enterprises, reduction of government expenditure, high interest rates, and currency devaluation.

In the last decade these conditions have contributed to severe reductions in government expenditures on health and education, reversing gains made since independence in many countries in primary health care and literacy. Privatization of industries sold not only inefficient enterprises but also highly profitable ones. Government cutbacks reduced the number of jobs and inequity spiraled, as the few benefited and majority fell further into poverty.

While Washington considers trade as a development tool and a replacement for aid to Africa, promises of greatly increased investment and trade have not materialized. Sub-Saharan Africa has attracted just 3 percent

of total foreign direct investment into the developing world, whereas Latin America attracts 20 percent and East Asia receives 50 percent. U.S.-Africa trade is a mere 2 percent (\$23.4 billion in 1994) of overall U.S. foreign trade. Two-thirds of African exports to the U.S. consist of oil from just four countries: Nigeria, Angola, Gabon, and Congo. U.S. sales to Africa are mainly equipment and machinery, as well as wheat and rice. Half of all U.S. exports go to just one country, South Africa.

Under terms of the World Trade Organization (WTO), Africa is the only continent projected to lose revenue from trade, because the few trade preferences it does have will be abolished under the new rules. In addition, food-deficit countries will face higher food-import costs as well.

In a May 1996 declaration, the UN Conference on Trade and Development (UNCTAD) questioned the paradigm that trade will bring development, especially in Africa: "The least developed countries, particularly those in Africa, remain constrained by weak supply capabilities and are unable to benefit from trade. Marginalization, both among and within countries, has been exacerbated. Too many people continue to live in dire poverty."

In short, market conditionality is imposed on economies with inadequate formal markets, almost no external markets, and few industries or even processing facilities for their primary products. Many African countries lack sufficient infrastructure including roads, warehouses, or telecommunications. Governments are forced to reduce their investments in human capital when more, not less, resources are needed for education and primary health care. As documented in many recent UNICEF and UNDP reports, structural adjustment has increased inequity.

Despite these often draconian policies, several recent UN studies revealed that African leaders had honored their agreements to increase efficiency and open markets. The studies further confirmed that African states have made democratic reforms, improved agricultural policies to give food access to the poorest, and enhanced regional cooperation.

The adverse world market conditions convinced the UN to set up in March 1996 an unprecedented "Initiative on Africa" involving all UN agencies. It is a 10-year, \$25 billion dollar effort (combining old and new pledges of funds) to improve food security, education, and health services. The UN's initiative comes in recognition of efforts by African themselves to turn their economies around.

Key Problems

- The Clinton administration has not fulfilled its pledge to give Africa "the attention it deserves."
- U.S. economic aid to Africa fell 25 percent from 1995 to 1996.
- Structural adjustment policies have resulted in widening the gap between rich and poor and shrinking government health and education programs.

A new foreign policy toward Africa must begin by acknowledging efforts Africans are making to reverse the negative legacies. A good first step would be the recognition that many of the failed development projects strewn across the African landscape have “made in the USA”—or at least “not made in Africa”—labels. The U.S. programs should open the door for local leadership, male and female, to design their own development, even though they must still look to outside funds in the short term.

Key Recommendations

- The U.S. and other lenders must give serious debt reduction or total debt relief to Africa’s poorest countries.
- External assistance should no longer be linked to structural adjustment policies.
- U.S. policies should promote food self-sufficiency, land reform, and agricultural diversification.

The U.S. and other lenders must give at least 50 percent debt reduction or total debt relief to the poorest countries. According to the World Bank, 15 of the 20 countries worldwide caught in the debt trap are in Africa. In fact, the exceptions are easier to list: only Botswana, Libya, and Mauritius can address their debts without assistance.

In 1991 the seven leading developed nations (the G-7 countries) agreed that Africa deserves special attention, including cancellation of debt and new financial flows. But no comprehensive solution has been implemented. Proposed World Bank and IMF debt rescheduling schemes both continue to be tied to debilitating structural adjustment programs and fall far short of levels needed. External assistance to Africa—whether investment, trade concessions, or aid—should not be tied to structural adjustment policies. The U.S. and international finance institutions must now balance free market ideology with public investment—in human resources development.

At a time when even the World Bank is reviewing its structural adjustment policies, Washington remains committed to these same failed prescriptions. The Clinton administration’s “Comprehensive Trade and Development Policy for Africa,” unveiled in February 1996, has been widely criticized by investors, diplomats, analysts, and Africa activists. A coalition of 18 Africa-focused NGOs charged the policy “adopts a one-size-fits-all approach to development” and is based on an “unambiguously favorable depiction of structural adjustment policies...the many flaws of which have repeatedly been identified.”

The stated objective of Congress to foster “equitable, participatory, sustainable and self-reliant” development that benefits Africa’s “poor majority” is at odds with its

mandates to promote the private sector and reduce central governments. Increased inequity never promotes democracy, and women and children suffer the most. While humanitarian and food aid should not be conditioned, some African leaders suggest that development assistance might be linked to reductions in military expenditures or protection of basic human rights.

It is important that U.S. policies foster African efforts to expand food crop production by small farmers. U.S. policy should enhance food self-sufficiency, not dependency on grain imports. The U.S. should also help implement land reforms badly needed in many parts of the continent, especially southern Africa. The U.S. should reverse its opposition to the reasonable suggestion by former UN Secretary General Boutros Boutros-Ghali that developed countries lower tariffs for African products and help finance commodity-diversification programs in Africa.

Further, the U.S. cannot call for globalization of the market while ignoring the credit, technical assistance, and participatory development programs needed by women to sustain their families. Women’s exclusion from decisions and unequal access to education, credit and land is not only an egalitarian or humanitarian question; their inclusion is also central to reducing the numbers living in absolute poverty and to production growth. AID’s microenterprises, like similar World Bank and IMF programs that are intended to benefit women, must be thoroughly revamped. These programs have been widely criticized by NGOs as wholly inadequate palliatives that often charge exorbitant interest rates and, more fundamentally, ignore the economic dislocation resulting from structural adjustment policies and rapid economic globalization.

The impoverishment of Africa is not simply the result of policy failures, either by African governments or by foreign ones. Much can be attributed to Africa’s position in the international economy. No one African government will be able to “lift itself up by the bootstraps” unless the U.S. and the international community adopt policies that provide the boots. U.S. policy should act more responsibly in its role as a global leader by backing new measures that stop the marginalization of the African continent and back efforts to ensure that African nations achieve a more secure and equitable place in the world economy.

Written by Carol Thompson, Chair, Political Science Department, Northern Arizona University.

Foreign Policy in Focus is a joint project of the Interhemispheric Resource Center (IRC) and the Institute for Policy Studies (IPS). It is supported by subscriptions, by financial support from the John D. and Catherine T. MacArthur Foundation, and by various church organizations. *In Focus* internships are available.

Editors
Martha Honey (IPS)
Tom Barry (IRC)

Production
Grant Moser

Communications Director
Erik Leaver (IRC)

Orders and subscription information:

Mail: PO Box 4506
Albuquerque, New Mexico 87196-4506
Phone: (505) 842-8288
Fax: (505) 246-1601
Email: resourcectr@igc.apc.org

Editorial inquiries and information:

IRC Editor	IPS Editor
Phone: (505) 388-0208	Phone: (202) 234-9382/3
Fax: (505) 388-0619	Fax: (202) 387-7915
Email: resourcectr@igc.apc.org	Email: ipsps@igc.apc.org
Website: http://www.zianet.com/infocus	

sources for more information

Organizations

Africa Fund/American Committee on Africa

17 John Street, 12th Floor
New York, NY 10038
Voice: (212) 962-1210
Fax: (212) 964-8570
Email: africafund@igc.apc.org

Africa Recovery

Room S-931
United Nations
New York City, NY 10017
Voice: (212) 963-6857
Fax: 212-963-4556
Email: unafrika@undp.org

Association of Concerned Africa Scholars

c/o Bill Martin, Co-Chair
326 Lincoln Hall
University of Illinois
Urbana, IL 61801
Voice: (217) 333-8052
Fax: (217) 333-5225

Bread for the World Institute

1100 Wayne Avenue, Ste. 1000
Silver Springs, MD 20910
Voice: (301) 608-2400
Fax: (301) 608-2401
Email: bread@igc.apc.org

Forum of African Voluntary Development Organizations

1511 K Street NW, Ste. 1123
Washington, DC 20005
Voice: (202) 387-7275
Fax: (202) 393-7070
Email: gabe@erols.com

Washington Office on Africa/African Policy Information Center

110 Maryland Avenue NE
Washington, DC 20002
Voice: (202) 546-7961
Fax: (202) 546-1545
Email: APIC@igc.apc.org

Publications

AWEAPON/The Development GAP, *Women Standing up to Adjustment in Africa: A Report of the African Women's Economic Policy Network* (July 1996).

Michael Barratt Brown and Pauline Tiffen, *Short Changed: Africa and World Trade* (Boulder, CO: Pluto Press, 1992).

Robert Browne, *The U.S. and Africa's Trade: Prospects for Partnership* (Africa Policy Information Center Background Paper 004, November 1995).

Giovanni Andrea Cornia & Gerald Helleiner, eds. *From Adjustment to Development in Africa* (New York, NY: St. Martin's Press 1994).

Giovanni Andrea Cornia, Rolph van der Hoeven, and Thandika Mkandawire, eds., *Africa's Recovery in the 1990s: From Stagnation and Adjustment to Human Development, a UNICEF Study* (New York: St. Martin's Press, 1992).

Economist Intelligence Unit (London), quarterly and annual reviews of each African country.

Gloria Emeagwali, ed., *Women Pay the Price: Structural Adjustment in Africa and the Caribbean* (Africa World Press, 1995).

Focus Africa

Email: ICAF@web.apc.org

Review of African Political Economy

Email: roape@mcr1.poptel.org.uk

Kathy Selvaggio, *Hunger: The Price of Poor-Country Debt* (Bread for the World Background Paper, No. 137, November 1996).

Southern Africa Report

Email: tclsac@web.net

World Wide Web

African Policy Information Center

<http://www.igc.org/apic/index.shtml>

Association of Concerned Africa Scholars

<http://www.prairienet.org/acas/>

Africa News On-Line

<http://www.africanews.org>

Subscription Information

You can subscribe to *In Focus* at one of three levels, you can receive *In Focus* in one of five ways, and you can choose which categories of *In Focus* you want to receive. Please mark the level of subscription you want, how you want *In Focus* delivered to you, and the topic categories you want. There is no extra charge for email delivery to mail and fax subscribers. (Individual copies of *In Focus* are \$2.50, postpaid; bulk orders of *In Focus* are \$12.00 for 10 copies, postpaid; orders for delivery outside the US are double the listed prices.) Make checks payable to the Interhemispheric Resource Center. We also accept VISA and MasterCard.

U.S. Subscription Level

- \$15 10 briefs
 \$30 20 briefs
 \$60 50 briefs

Foreign Subscription Level

- \$30 10 briefs
 \$60 20 briefs
 \$120 50 briefs

Delivery

- Regular mail Regular mail & email
 Fax only Fax and email
 Email only

Topic Categories

- | | | |
|---|---|---|
| <input type="checkbox"/> All (receive all briefs) | <input type="checkbox"/> Economic Aid | <input type="checkbox"/> Mexico |
| <input type="checkbox"/> Foreign Policy Overview | <input type="checkbox"/> Global Governance/United Nations | <input type="checkbox"/> South America |
| <input type="checkbox"/> Trade and Investment | <input type="checkbox"/> International Financial Institutions (IFIs) and Debt | <input type="checkbox"/> Africa |
| <input type="checkbox"/> Government Agencies | <input type="checkbox"/> Food and Farm | <input type="checkbox"/> Middle East |
| <input type="checkbox"/> Military and Peace | <input type="checkbox"/> Border and Immigration | <input type="checkbox"/> Asia/Pacific |
| <input type="checkbox"/> Human Rights and Democracy | <input type="checkbox"/> Central America | <input type="checkbox"/> Western Europe |
| <input type="checkbox"/> Environment | <input type="checkbox"/> Caribbean | <input type="checkbox"/> Central and Eastern Europe |
| <input type="checkbox"/> Labor | | <input type="checkbox"/> Former Soviet Union |

Name		Institution	
Street Address			
City		State	Zip Code
VISA/MasterCard Number		Expiration Date	
Signature	Daytime Phone	Fax Number	Email Address