



## U.S.-Africa Economic Initiatives

by Douglas Tilton, Washington Office on Africa

President Clinton's March 1998 trip to Ghana, Uganda, Rwanda, South Africa, Botswana, and Senegal was the most extensive tour of the continent by a U.S. president and the first substantial visit since President Carter's trip to Africa. In the Carter era, U.S. officials emphasized human rights and meeting the basic needs of the "poorest of the poor." But Clinton's message was one of development through trade and investment, market liberalization, and integration into the global economy.

Talk of trade, however—like earlier talk of aiding the poorest—remains largely rhetorical. The U.S. has never formulated any coherent economic policy with respect to Africa. Instead, U.S. policy has relied on an assortment of foreign assistance programs: food aid, disaster and refugee relief, development support, and security assistance. Between 1962 and 1988, the bulk of U.S.

aid went to strengthen cold war allies in Sudan, Zaire, Kenya, Ethiopia, Somalia, and Liberia, regardless of the repressiveness and corruption of their ruling regimes.

With the end of the cold war, total U.S. aid (military, economic, and disaster assistance) to Africa has been halved from more than \$2 billion in 1985 to just over \$1 billion in 1997. A decade ago, in an effort to protect development assistance for Africa and to make poverty reduction and sustain-

able development central program priorities, Congress established the Development Fund for Africa (DFA). Congress also created the African Development Foundation (ADF) to support small-scale enterprises and grassroots development initiatives.

In recent years, Ethiopia, South Africa, Rwanda, Uganda, Mozambique, and Ghana have become the top recipients of U.S. aid to sub-Saharan Africa. While food

aid and humanitarian assistance have fluctuated in response to specific needs, development assistance to the region declined steadily from \$826 million in 1991 to a low of \$541 million in 1996 before recovering slightly to \$688 million in 1997. Since 1996 Congress has refused to earmark funds specifically for the DFA, creating the possibility that funds now going to the DFA could be diverted to other projects.

In March 1998, the U.S. House of Representatives passed the African Growth and Opportunity Act (H.R. 1432). The plan, which has yet to be considered by the Senate, would:

- expand African access to U.S. markets by extending, for a ten-year period, import tariff concessions under the Generalized System of Preferences (GSP) and by eliminating U.S. import quotas on textiles and apparel manufactured in sub-Saharan Africa;
- establish a \$150 million equity fund and a \$500 million infrastructure fund under the Overseas Private Investment Corporation (OPIC) to finance U.S. private investment in sub-Saharan Africa;
- initiate planning for the creation of one or more U.S. free trade zones in Africa; and
- create a U.S.-Africa economic forum where officials from participating countries would meet annually to discuss economic matters of mutual concern.

A parallel White House proposal, entitled Partnership for Economic Growth and Opportunity in Africa, differs primarily in the criteria that participating countries must meet. Whereas the pending congressional legislation requires all countries to fulfill a single set of criteria—"one size fits all"—Clinton's plan is more flexible, making some benefits, including access to GSP tariff concessions and OPIC investment funds, available to all sub-Saharan African countries currently eligible for GSP benefits (all countries except Eritrea, Gabon, Liberia, Mauritania, Nigeria, and Sudan). Both plans, however, are designed to encourage African governments to adopt market-oriented economic policies.

### Key Points

- Despite Clinton's visit, the U.S. has failed to formulate a coherent policy with respect to Africa.
- In this post-cold war, post-apartheid era, U.S. aid to African nations has been declining.
- New proposals would use trade and investment incentives to pressure African governments to adopt market-oriented economic reforms.

#### Sub-Saharan Africa-U.S. Economic Relations: Statistical Overview

<b>Total Trade (1997):</b> \$22.5 billion	<b>U.S. Trade Balance (1997):</b> -\$10.3 billion
<b>Destination of U.S. Exports (1997):</b> South Africa (49%), Nigeria (13%), Angola (5%), Ghana (5%), Kenya (4%), Others (25%)	
<b>Source of U.S. Imports (1997):</b> Nigeria (39%), Angola (17%), South Africa (15%), Gabon (13%), Others (16%)	
<b>U.S. Imports (1997):</b> Energy-related products (71%), Minerals (14%), Ag Products (6%), Others (9%)	
<b>U.S. Investment (1996):</b> \$4.9 billion (\$1.4 billion in South Africa and \$1 billion in Nigeria), generating \$1.5 billion in net income—a 31% return on book value (highest in world: compared to 13% return in Asia-Pacific, 17% in Middle East, and 12% in Europe).	
<b>U.S. Military Aid:</b> \$70.5 million (1991), \$28.7 (1997)	<b>U.S. Development Aid:</b> \$826.3 (1991), \$688.8 (1997)

During Clinton's visit to Cape Town, Nelson Mandela, one of the few world leaders with enough moral authority to criticize a U.S. president, announced that the South African government has serious reservations about the African Growth and Opportunity Act. "To us, it is not acceptable," he said. Mandela's frank remarks dampened claims of widespread African support for the bill and jeopardized its progress in the Senate.

Trade with Africa—\$22.5 billion in 1997—constitutes less than 2% of overall U.S. foreign trade. Petroleum products, mostly from Nigeria, Angola, and Gabon, account for two-thirds of U.S. imports from Africa. Nevertheless, Africa remains the only major region in the world for which Washington has no clear trade strategy.

Both the congressional legislation and the president's initiative could help to combat Africa's marginalization in U.S. policy by requiring officials to devote systematic attention to economic relations with the continent. Yet neither plan is likely to produce concrete improvements in the living standards of most Africans. On the contrary, both the congressional and (to a lesser extent) the president's proposals contain provisions that would obstruct equitable development by requiring countries to adopt market-oriented policy changes analogous to those imposed under the devastating structural adjustment programs of the World Bank and the International Monetary Fund (IMF): government spending cuts, reduced corporate taxes, wholesale privatization, removal of trade barriers, and diminished protection for national industries.

The African Growth and Opportunity Act would even threaten current GSP beneficiaries in Africa with a loss of preferential tariffs if they fail to meet market-oriented eligibility requirements. To its credit, the bill also lists poverty reduction, social investment, and human rights as factors to be considered in assessing eligibility, but without clear enforcement mechanisms these criteria are eclipsed by the bill's central concern with market liberalization. Both Washington-conceived plans aim to bring African nations under the discipline of the World Trade Organization, the international body charged with eliminating global obstacles to the movement of goods and capital.

Achieving economic development through exports and foreign investment is problematic in much of Africa, where infrastructure and social services have deteriorated following IMF/World Bank-mandated government spending cuts. For two decades, falling commodity prices for most African agricultural and mineral exports have forced Africans to export twice as much to earn the same revenue. Although the private sector can contribute to economic growth, market liberalization does not necessarily reduce poverty, promote development of local industries, or stop capital flight. Meanwhile, as dwindling government expenditure causes schools, clinics, and other public facilities to collapse, those groups that depend heavily on state services—women, youth, rural dwellers, and the urban unemployed—invariably bear the greatest burdens.

Washington policymakers frequently depict economic liberalization and political democratization as going hand in hand. In reality, when economic adjustment constrains a nation's capacity to implement a popularly mandated development agenda, it also undermines accountable government and national sovereignty. Moreover, the U.S. has been reluctant to curtail economic ties with governments that suppress democracy. For example, Washington has ignored pleas from Nigeria's democratic forces urging an oil embargo in response to the repression unleashed by the country's notorious dictator, Gen. Sani Abacha.

To achieve long-term success, trade and investment programs must stimulate local investment, manufacturing, and the processing of export commodities, as well as encourage the development of regional production and marketing networks. Equally important, these initiatives must be coupled with effective poverty reduction, investment in education and health care, food production, and debt eradication initiatives. The African Growth and Opportunity Act pays lip service to these concerns, but it appropriates no funds for development assistance or debt reduction. The bill's primary sponsor, Rep. Phil Crane (R-IL) revealed that this was no mere oversight, declaring bluntly: "This is the first step in replacing aid with trade."

In addition, both the congressional and executive packages aim to reward a few relatively privileged countries (such as Uganda, Ghana, Mali, and South Africa) that have achieved rapid economic growth while implementing market-oriented policies.

Moreover, the most immediate beneficiaries of these initiatives will be the companies and entrepreneurs—including those in the U.S.—that enjoy the international connections, expertise, and financial resources to fully exploit these new opportunities. Inevitably, economic disparities both within and between African countries will widen as a handful of "success stories" emerge, leaving the losers to wait for the rewards of growth to trickle down.

To date, potential losers—often represented by the rising number of nongovernmental organizations in Africa—have had few opportunities to comment on the initiatives. Most African input has come from government and business leaders. In the U.S., some labor organizations have charged that the creation of free trade zones and the end of import quotas would precipitate a loss of U.S. jobs. Although studies indicate job losses would be minimal, the critique raises the more serious concern that U.S. economic initiatives can imperil vulnerable populations if they do not foster respect for labor rights and environmental protection.

---

## Key Problems

- New U.S. initiatives reinforce an unbalanced emphasis on market liberalization and global economic integration rather than sustainable and equitable development.
  - Current proposals reward a few economically successful nations but neglect those that have less capacity to attract investment or to produce for international markets.
  - Most Africans are unlikely to realize substantial benefits from programs that do not emphasize social investment, broad-based economic growth, and fair employment opportunities.
-

U.S. initiatives must be judged on their capacity to effect sustained improvements in the lives of ordinary people. Broad-based development requires improvements in physical and human infrastructure; production of basic commodities for national, regional, and international markets; promotion of locally owned enterprises; and sufficient government control to balance private capital needs with broader societal needs.

Over the past two decades, most African nations have experienced declining commodity prices, mounting debt, dwindling investment, and a diminished share of world trade. As African governments have faced growing problems and shrinking budgets, the economic gap between sub-Saharan Africa and virtually every other region of the world has widened. Programs that fail to address these realities risk increasing that gap.

Africans are already tackling problems through an impressive range of local, national, and regional initiatives. U.S. officials must recognize this effort and work cooperatively with Africans to build on work already

done. U.S. programs should model broad consultation by giving representatives of African civil society a meaningful and continuing voice in policy planning and implementation.

Policymakers must devote explicit attention to the gender impact of new initiatives. Women, as entrepreneurs and farmers, constitute the economic backbone of many rural African communities. But policies designed to stimulate economic growth typically ignore women's differential access to land, credit, training, and technical assistance. Women must be given a central role in the formulation and assessment of new policy,

and support for women's initiatives should not be restricted to private entrepreneurship.

U.S. officials tend to frame economic policy decisions as mutually exclusive options. In reality, a mix of approaches—including debt relief, aid, trade, and investment—permits a more flexible response to varying national circumstances. Market liberalization should be pursued selectively as part of a package of

reforms designed to reduce hunger and poverty by promoting sustainable development in environmentally responsible ways. Further, U.S. programs should give priority to assisting nations that demonstrate a commitment to accountable government, provide equal protection under the law for all citizens, and respect fundamental human rights.

Increased U.S. trade with and investment in African countries can generate mutual benefits, but U.S. officials must resist the temptation to link initiatives to the adoption of a specific set of economic policies. Instead, the U.S. must work with less affluent trading partners to develop a fair trade model that diminishes, rather than amplifies, existing inequity by offering enhanced commercial opportunities to smaller producers and less-developed nations.

Economic initiatives by the U.S. government should encourage U.S. investment that stimulates the establishment and expansion of small and medium-sized African businesses (especially those that produce for local or regional markets) instead of investment that buys out local public and private industries. New initiatives should create employment opportunities that offer a livable wage and humane working conditions. Investment in infrastructure should not be restricted to capital cities, tourist areas, or industrial estates where it will address the needs of elites only, but should be used to construct widely accessible facilities. Particular emphasis should be placed on investment in rural areas typically neglected by private capital.

Trade and investment initiatives cannot take the place of development assistance. Many African nations do not have the capacity to exploit new market and investment opportunities. Even in countries better equipped to take advantage of new programs, aid and debt relief will be pivotal in determining the durability and effectiveness of these programs. Currently, debt service payments claim 80% of Africa's foreign exchange earnings and total four times the amount spent on health care throughout the region. Several years of negotiations on debt relief are just beginning to produce limited benefits for Uganda and Mozambique.

The U.S. and other lenders must underwrite more rapid and substantial reductions in the debt owed by Africa's poorest nations. The U.S. should also dramatically increase development assistance to Africa. Sustained investment in human resources, public infrastructure, and agriculture is vital to the establishment of a solid foundation for equitable, long-term growth.

## Key Recommendations

- The U.S. should promote equitable growth and opportunity in Africa by simultaneously increasing trade, aid, investment, and debt relief.
- The U.S. should give priority to assisting nations that demonstrate a commitment to poverty reduction, accountable government, and respect for human rights and the environment.
- U.S. officials should consult with a broad cross section of Africans, making a special effort to hear representatives from civil society, regional institutions, and marginalized groups.

*Foreign Policy in Focus* is a joint project of the Interhemispheric Resource Center (IRC) and the Institute for Policy Studies (IPS). The project depends on sales and subscription income, individual donors, and grants from The John D. and Catherine T. MacArthur Foundation, General Service Foundation, and 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:

<b>IRC Editor</b>	<b>IPS Editor</b>
<b>Phone:</b> (505) 388-0208	<b>Phone:</b> (202) 234-9382/3 ext. 232
<b>Fax:</b> (505) 388-0619	<b>Fax:</b> (202) 387-7915
<b>Email:</b> resourcectr@igc.apc.org	<b>Email:</b> ipsps@igc.apc.org

**Website:** <http://www.foreignpolicy-infocus.org>

# Sources for More Information

## Organizations

**Africa Faith and Justice Network**  
Box 29378  
Washington, DC 20017  
Voice: (202) 832-3412  
Fax: (202) 832-9051  
Email: afjn@igc.apc.org  
Website: <http://www.igc.org/afjn/>

**Bread for the World**  
1100 Wayne Avenue, Suite 1000  
Silver Spring, MD 20910  
Voice: (301) 608-2400  
Fax: (301) 608-2401  
Email: ralmeida@bread.org  
Website: <http://www.bread.org>

**50 Years is Enough Network**  
1025 Vermont Avenue NW, Ste. 300  
Washington, DC 20005  
Voice: (202) 463-2265  
Email: wb50years@igc.org  
Website: <http://www.50years.org>

**Institute for Agriculture and Trade Policy**  
2105 First Avenue South  
Minneapolis, MN 55404  
Voice: (612) 870-0453  
Fax: (612) 870-4846  
Email: kdawkins@iatp.org  
Website: <http://www.iatp.org>

**Mennonite Central Committee**  
Washington Office  
110 Maryland Avenue NE, Ste. 502  
Washington, DC 20002  
Voice: (202) 544-6564  
Fax: (202) 544-2820  
Email: mccwint@erols.com

**Public Citizen**  
215 Pennsylvania Avenue SE  
Washington, DC 20003  
Voice: (202) 546-4996  
Fax: (202) 547-7392  
Email: public\_citizen@citizen.org  
Website: <http://www.citizen.org/pctrade/tradehome.html>

## Publications

Africa Policy Information Center, *Africa's Problems . . . African Initiatives* (Washington, DC: Africa Policy Information Center, 1994).

Tom Barry, "Africa: In the Time of Free Trade," *Interhemispheric Resource Center Bulletin* no. 49 (December 1997). [Available electronically at <http://www.zianet.com/irc1/bull49.html>.]

Robert Browne, *The U.S. and Africa's Trade: Prospects for Partnership* (Washington, DC: Africa Policy Information Center Background Paper #4, November 1995). [Available electronically at [gopher://gopher.igc.apc.org:7040/11/docs95](http://gopher://gopher.igc.apc.org:7040/11/docs95).]

Office of the U.S. Trade Representative, *A Comprehensive Trade and Development Policy for the Countries of Africa, Third Annual Report* (Washington, DC: USTR, December 1997). [Available electronically at <http://www.ustr.gov/reports/>.]

U.S.-Africa Trade Policy Working Group, "Recognizing Africa's Success, Facilitating African Initiative," *Washington Notes on Africa* 23:1 (Summer 1997). [Available electronically at <http://www.africapolicy.org/denver/densumm.htm>.]

U.S. House of Representatives, H.R. 1432 (African Growth and Opportunity Act). [Available electronically at <http://thomas.loc.gov>.]

## World Wide Web

**Africa News**  
<http://www.africanews.org>

**Africa Policy Information Center**  
<http://www.africapolicy.org>

**Global Trade Watch**  
<http://www.citizen.org/pctrade/Africa/finalfac.htm>

## Back Issues of *Foreign Policy In Focus*

(\$2.50 each, postpaid. Bulk orders: \$12 for 10 copies of the same issue.)

Afghanistan	Congo/Zaire	Iran	Overseas Drug Control
Africa Economic Policy	Costs of NATO Expansion	Iraq	Overseas Rural Development
Africa Overview	Dangers of NATO Expansion	Islamic Movements	Panama
Africa Peace and Security	Defense Conversion	Israel	Peacekeeping and the UN
Albania	Export Import Bank	Japan	Peru
APEC	Export Promotion Programs	Korea	Restructuring Transitional States
Arms Sales to Latin America	Foreign Agricultural Policy	Macedonia	Russia
Arms Trade	Foreign Economic Aid	Mexico	Small Arms Trade
Asian Financial Crisis	Former Yugoslavia	Middle East Oil	Somalia
Asia/Pacific Overview	Free Trade Area of Americas	Military Modernization	South Africa
Asia/Pacific Security	Global Banking	Military Strategy	U.S. Policy in Middle East
Burma	Haiti	Military Training in L.A.	Structural Adjustment
Burundi	Human Rights	Multilateral Agreement on Investment	Sudan
Cambodia	Indochina	Multilateral Debt	Taxing Overseas Investments
Central America Security	Indonesia	NAFTA	Trade and Environment
Chemical/Biological Weapons	Intelligence Apparatus	Nicaragua	Trade and Labor
Child Labor	Int'l Financial Institutions	Nigeria	USIA
China	IMF Bailouts	North Korea	U.S.-U.N. Relations
CIA, Drugs, and Crack	International Trade	Nuclear Nonproliferation	Warfare vs Welfare
Colombia	Investment/Competitiveness	OPIC	World Trade Organization
	Investment Funds		

To subscribe to *Foreign Policy In Focus*, or to order back issues, contact the IRC at:

PO Box 4506 ♦ Albuquerque, NM ♦ 87196-4506

Phone: (505) 842-8288 ♦ Fax: (505) 246-1601 ♦ Email: [resourcectr@igc.apc.org](mailto:resourcectr@igc.apc.org) ♦ Website: <http://www.foreignpolicy-infocus.org>