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ECONOMIC CONCERNS THREATEN AFRICAN GROWTH NARRATIVE

By George F. Ward

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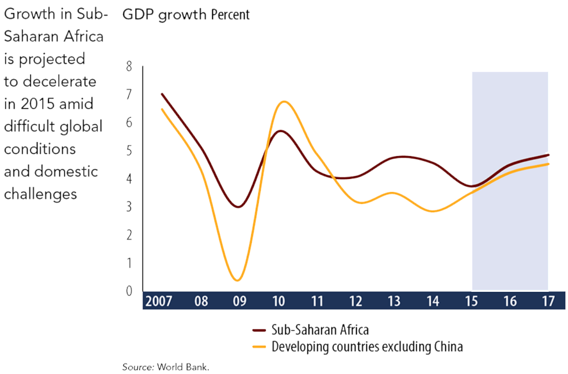

Projected GDP Growth in Sub-Saharan Africa. Source: Figure 1.3 in World Bank, *Africa's Pulse: An Analysis of Issues Shaping Africa's Economic Future* 12 (October 2015), 6.

Ambassador (ret.) George F. Ward is editor of Africa Watch and a Research Staff Member at the Institute for Defense Analyses.

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On September 28, 2015, President Barack Obama hosted a peacekeeping summit at the United Nations (UN), where some 50 countries pledged up to 40,000 new troops for UN peacekeeping operations. On the same day, the White House released a new presidential directive on peacekeeping, pledging to ramp up U.S. support for UN peacekeeping operations. At the summit, Obama said that peacekeeping operations "remain one of the world's most important tools to address armed conflict." This increased commitment to global peacekeeping prompts the question: does peacekeeping work? *more...*

In this Sept. 15, 2014, file photo, U.N. peacekeeping troops take part in a ceremony in the capital city of Bangui, Central African Republic (CAR), to take over a regional African peacekeeping mission. (Source: AP Photo, File.)

Alexander Noyes is an Adjunct Research Associate in the Africa Program at the Institute for Defense Analyses.

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IDA's three federally-funded research and development centers provide objective analyses of national security issues and related national challenges, particularly those requiring scientific and technical expertise.

IDA's Africa team focuses on issues related to political, economic, and social stability and security on the continent.

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Commodities, China, and Debt

Only one year ago the World Bank had projected an average growth rate for sub-Saharan Africa of 5.2 percent for 2015–2016. The decline in growth to the current estimate of 3.7 percent represents a fairly dramatic fall of more than 25 percent from the previous projection. In its announcement of the current estimate, the World Bank attributed the slowdown in growth to "the end of the commodity price super cycle—with a substantial drop in the price of oil, copper, and iron ore—a slowdown of the Chinese economy, and tightening global financial conditions." As foreshadowed in the March 20, 2015 issue of *Africa Watch*, the fall in the price of oil and other commodities is creating winners and losers on the continent. Producers of oil, minerals, and metals are experiencing economic setbacks. On the other hand, a number of countries, including Tanzania, Mozambique, Ethiopia, Rwanda, and Ivory Coast, are expected to buck the downtrend and to grow by 7 percent or more annually from 2015 to 2017. The World Bank attributes the level of growth in the second group of countries to investments in infrastructure and the resource sector and to consumer spending. Probably not coincidentally, none of the high-growth countries are currently significant producers of oil or gas.

The China Factor

Although the decline in demand from China is not the only cause of falling commodity prices, it is the largest single factor. Both the latest World Bank report and an analysis by Simon Freemantle, senior political economist at the Standard Bank, foresee continued downward pressure on commodity prices in the near term due to lower demand from China. At the same time, both also see significant longer term upsides for Africa as the nature of the Chinese economy changes. The World Bank cites a study that posits both a secular slowdown in the rate of economic growth in China, from around 7 percent annually now to 4.6 percent annually in 2030, and a rebalancing of the economy away from investment to household consumption. In the World Bank model, increased Chinese demand for consumption of imported products, chiefly agricultural ones, would outweigh the impact of lower commodity prices and produce a net advantage for sub-Saharan Africa over the longer term. Freemantle, focusing on Chinese investment patterns, comes to a similar conclusion and predicts increased Chinese investment in the agricultural sector in sub-Saharan Africa.

Challenges on the Way toward the Longer Term

Even assuming that the aforementioned analyses are correct for the longer term, sub-Saharan Africa will face significant challenges in getting through the near- and medium-term future. Perhaps the most significant current challenge is the combination of increased debt and falling currency values in key countries. An article in the August 6, 2015 issue of Africa Watch pointed to the risks involved as African governments increasingly borrow on the international market. Since that time, the terms facing African governments have continued to deteriorate.

Ghana, for example, was forced both to accept a higher interest rate and reduce the principal of its borrowing when it went to the Eurobond market in October 2015. In contrast to previous rates of 7.5 to 8 percent, Ghana will now pay 10.75 percent. Instead of borrowing $1.5 billion, Ghana decided to request only $1 billion. According to the Bank of Ghana, the country's total debt now amounts to 70.9 percent of GDP, and the IMF predicts that Ghana will end 2015 with a 75 percent debt-to-GDP ratio. Since the Ghanaian currency has depreciated over 25 percent in the past 15 months, the dollars needed to service the international portion of the country's debt have become dramatically more expensive. In most African countries, debt levels are rising, but are well below that seen in Ghana. For example, in Zambia, which faces similar currency and debt pressures as Ghana, the ratio of government debt to GDP is still below 40 percent.

Stability at Risk?

Some believe that the decline in the rate of economic growth in sub-Saharan Africa is having a negative impact on standards of governance. The respected Ibrahim Index of African Governance reflected rapid progress between 2000 and 2008 in terms of safety and the rule of law, participation and human rights, sustainable economic opportunities, and human development. The most recent release of the Index, on October 5, 2015, asserted that governance progress in Africa has stalled over the last four years. In that period, which is coincident with the onset of reduced economic growth, the African average overall governance score increased only slightly—by 0.2 points to 50.1 out of a possible 100.0. Tellingly, the sub-indices for sustainable economic opportunity and for safety and the rule of law actually declined.

Conclusion

In a continent burdened by the tremendous challenges of widespread extreme poverty and rapid population increases, vigorous economic growth is a necessity. If the analyses cited above are accurate, the needed level of economic growth is reachable in the long term, but perhaps only after a near-term period of relative stagnation. During this period, African governments will need to use their scarce financial resources wisely, investing in the infrastructure required to fuel future growth while not neglecting the basic human needs of their peoples. This is a test that would try the governments of even the most advanced economies. To pass it, African leaders will need wisdom and the support of their international partners.

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Peacekeeping in Africa

Africa has seen 50 peace operations since 2000, including UN and African Union (AU) missions ranging from Liberia to the Central African Republic (CAR) to Somalia. Approximately 80 percent of UN peacekeepers and nine out of 16 current UN peacekeeping missions are located in Africa. African actors and regional organizations, the AU in particular, are increasingly taking on responsibility for peacekeeping on the continent. The United States, however, still provides crucial support for these peacekeeping efforts. Thus, as Africa remains "ground zero" for peacekeeping operations, this question is of great relevance to the continent.

As highlighted by political scientist Paul Williams in a recent Council on Foreign Relations report, "the United States is the single largest financial supporter of UN and African peace operations in Africa." In 2013, the United States contributed $1.7 billion to UN peacekeeping missions in Africa alone, and another $770 million to support African-led peacekeeping efforts. The United States is also the largest financial supporter of UN peacekeeping beyond Africa, accounting for approximately 28 percent of the UN's budget. Only 82 U.S. uniformed personnel, however, currently serve in UN peacekeeping missions. Last month, the White House pledged to double the number of military staff officers in UN missions and to ramp up technical, logistical, and training support.

On Balance, Peacekeeping Keeps the Peace

Peacekeeping operations in Africa and beyond face a number of significant financial and operational constraints. Despite high-profile failures in Rwanda and Somalia in the early 1990s and bad press stemming from recent allegations of peacekeeper abuses, academic research suggests that overall, peacekeeping actually has quite a good record of preventing a return to war. The substantial, mostly statistical, academic literature on the effectiveness of peacekeeping is largely uniform on this point. As argued by political scientist Victoria Page Fortna, "the surprising thing about peacekeeping—the real story—is that, despite its many problems, it works." Summarizing the recent research on the topic, Fortna notes:

- the presence of peacekeepers significantly reduces the risk of renewed warfare . . . that is, peacekeeping makes peace more likely to last;
- the more peacekeeping troops, the fewer the battlefield deaths . . . that is, peacekeeping reduces the intensity of fighting; and
- the more peacekeeping troops and police deployed, the fewer the civilian deaths . . . that is, peacekeeping saves civilian lives.

These sentiments are echoed by a number of other scholars. For example, political scientist Anke Hoeffler recently asserted, "there is considerable evidence that UNPKOs [UN peacekeeping operations] are effective in maintaining peace . . . the duration of peace is longer and wars are less likely to recur when peace-keepers are deployed." Steven Pinker, a professor at Harvard University, also has argued that peacekeeping operations "work massively. A country is much less likely to fall back in civil war if they've got armed peacekeepers. And the better financed and armed the peacekeeping force, the more effective they are." Specific examples of peacekeeping success in Africa include Namibia, Mozambique, Sierra Leone, and Liberia.

Conclusion

Just because peacekeeping has worked in the past, does not, of course, mean it will continue to work in the future, especially if there is little peace for peacekeepers to keep. The mixed records of several recent UN peacekeeping missions in Africa, including in South Sudan and the Democratic Republic of the Congo, serve as reminders that peacekeeping is no panacea. As Paul Williams notes:

> Without a viable strategy, peacekeepers may stem some of the worst symptoms of a particular crisis, but they will not resolve the fundamental drivers of violence and instability. This has been a problem for many years in Darfur and the DRC, and more recently in South Sudan, Mali, and the CAR, where peacemakers have failed to resolve conflict and left peacekeepers to pick up the pieces.

This situation has prompted some scholars to question whether the previous findings on peacekeeping will hold in the future. Despite recent news coverage and a handful of well publicized failures, however, the overall research findings discussed above suggest that the enterprise of international peacekeeping, on balance, has a solid track record and that more robust mandates lead to bigger gains. Therefore, recent efforts to ramp up support for peacekeeping operations appear to be steps in the right direction and sound investments in global security.

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