Understanding Promotion of Investment in Africa

How has the United States government promoted private investment in Sub-Saharan Africa? When were key institutions and policies created and why? The purpose of this chapter is to provide an analytically eclectic framework for understanding foreign economic policy toward Africa that incorporates the interaction between systemic and domestic factors and points to the historical use of particular ideas about US investment in Africa to frame the discourse over policymaking. This is an effort to explain why and when we see continuity and change in policies related to promoting private investment in Africa. Primarily a study of one aspect of the formation of US economic relations with Africa, it is also designed to shed light on three key concerns: neoliberalism and the role of the state in the economy, the changing role of the United States in the global economy, and implications of US policy for economic growth in Africa.

James Hentz delineates three ‘master narratives’ of US foreign policy toward Africa: realpolitik (or geopolitics), Hamiltonianism (or geoecomics), and Meliorism (essentially, humanitarianism) (Hentz 2005, 24). Each has its own domestic constituency in the United States – the foreign policy bureaucracies, US transnational business, and grassroots Africanist groups, respectively. He suggests that strategic and economic interests dominated the Cold War and post–Cold War periods but more recently both corporate and NGO interests have become more influential, possibly pushing policy in a more humanitarian direction, though he warns of the resurgence of strategic concerns such as the threat of terrorism.

Historically, the primary focus of analysis of US policy toward Africa has been its strategic interests. Early comprehensive analyses of US foreign policy toward Africa prioritized security concerns (Nielsen 1969; Dickson 1985). In his seminal analysis of US policy toward Sub-Saharan Africa, Schraeder argued that, during the Cold War, when African concerns did not merit the attention of the White House, the national security bureaucracies tended to dominate policymaking (Schraeder 1994). But the focus on security concerns obscures the distinct dynamic of economic policymaking. Economic
policymaking in relation to investment promotion has been less exclusively White House and bureaucracy driven. In response to economic and political transformation at the system level, Congress and interest groups have played a more significant role. To understand how and why domestic actors drew attention to Africa, I draw from realist, liberal, and constructivist traditions to look at the dynamic interaction of changing systemic factors, the interaction between government officials and interest groups, and the way in which US interests in Africa are framed. As Katzenstein and Okawara contend, ‘Strict formulations of realism, liberalism and constructivism sacrifice explanatory power in the interest of analytic purity’ (Katzenstein and Okawara 2004, 109).

The study of US economic relations with Africa

US economic policy toward Africa has long been addressed as a subset of strategic interests determined largely by security concerns (Nielsen 1969; Dickson 1985; Magyar 2000; Rothchild and Keller 2006). Historically, development assistance served larger strategic concerns and the United States had an ongoing interest in the ability of private companies to access African resources especially strategic minerals during the Cold War and oil in more recent years.

Addressing US economic relations with Africa are two major bodies of literature, the first addressing the domestic politics of development assistance (Herbst 1992; Lancaster et al. 2006; Lancaster 2008) and the second taking a global economy approach that addresses aspects of the role of the United States in relation to Africa in the context of international power relations and international institutions (Callaghy and Ravenhill 1993; M. B. Brown 1996). Within the former large literature on development assistance and the policy-oriented analysis of issues related to trade and debt, there is often an underlying liberal perspective that assumes that greater economic engagement would have mutual benefits for the United States and Africa. Within the latter body of work, the role of the United States in global capitalism is scrutinized and generally found wanting in its ability to stimulate economic growth and development in Africa.

Neither literature has paid much attention to the politics of investment promotion. The liberal policy oriented literature tends to assume that policy reform that opens economies up to investment is desirable and thus does a poor job of exploring the implications of the ongoing power differential between the United States and African states. The efforts to explain US–Africa relations from the systemic level often fail to address the nuances in the American domestic debate over US interests in Africa and the role of the state in promoting economic development. At this moment of dramatic global transformation, when developing countries such as China, India, and Brazil have become major sources of FDI while the United States and Europe slowly