Africa and Transformation in the Global Economy

Since their earliest forays into the African continent, in pursuit of economic opportunities, Americans have argued that they should have the same ‘rights’ of access that other foreign actors have, and that their economic engagement is inherently progressive. From the earliest involvement, private business actors have sought greater government support to compete with other countries. In addition to direct support for businesses to help them mitigate the risks of investing in Africa, government institutions have played a very significant role in shaping the environment for investment in African countries. Activist groups have also organized at the domestic and international levels, to challenge investment practices and seek adjustments in the nature of this particular foreign economic activity. Now the influence of the US government, through both bilateral and multilateral mechanisms, is moderated by the rise in power of emerging economies but also by the multiplicity of increasingly influential actors (in addition to MNCs and NGOs) such as diaspora networks, charitable foundations, sovereign wealth funds (SWFs), and venture capital funds.

The impact of US investment promotion policies on Africa has been more complex than the low FDI figures would suggest. US economic leadership has clearly contributed to economic liberalization in Africa as its nations joined international organizations and sought capital from the World Bank and IMF as well as Western donors. Neoliberal policies, especially conveyed through structural adjustment programs, bypassed democratic decision-making and transformed the structure of governments (Abrahamsen 2000). Now, for a variety of interacting reasons, African countries are growing faster, attracting various types of investment, and this could provide an opportunity for further growth and ultimately greater bargaining power in international economic politics; however, the capacity for foreign investment to lead to broad-based economic growth will depend on whether or not it attracts more diversified investment and the ability of governments and societies to distribute profits in a way that reduces poverty and contributes to sustainable development.
While decades have passed since France and Great Britain were the key sources of investment in Africa, the European Union (EU) as a whole is still the primary trading partner with Africa and provides the largest amount of aid and investment. The members of the OECD have a long history of shaping the rules that govern investment from their dominance of the major economic organizations to their contributions to development assistance. These measures include the OECD Guidelines for Multinational Enterprises, which originated in 1976 and have been updated five times, and WTO rules that govern trade-related aspects of international investment. On anti-corruption legislation, the United States took the lead in passing the FCPA in 1977, which was followed much later by European countries and the UN; however, the United States is the number one tax haven for illicit money (Shaxson 2011). The United States has played a partnership and leadership role at times on environmental regulations through its development assistance agencies after environmental interest groups pointed to the destructive impact of corporate behavior. Finally, the United States and European powers have worked on making government more transparent through domestic reform and international initiatives such as EITI, again while sharing complicity in developing the rules that enable tax evasion through their financial institutions and a global network of tax havens.

The global transformation that has received the most attention is the increase of interest in Africa from other developing countries. According to UNCTAD, in 2012 the top sources of FDI from emerging markets to the African continent were Malaysia, South Africa, China, and India. Brazil, Turkey, and the Arab Emirates are also expanding trade, aid, and diplomatic relations and increasing investments. Their collective economic rise is important for several reasons: They are new sources of capital and new trading partners – both of which have the potential to stimulate growth in Africa, provided the investment is not purely extractive as those who fear a new ‘scramble for Africa’ (Carmody 2011) suggest. They provide alternative models for development, as they tend to have more interventionist governments. Third, they are changing power relations in international institutions.

Emerging powers are changing the power structure in key international organizations in ways that could finally have implications for Africa, decades after a New International Economic Order was pursued in the 1970s. In 2010 the World Bank increased the collective voting power of developing countries to 47.19 per cent of the total although many African countries’ shares were diminished. The IMF also agreed to significantly increase the voting shares of China and other developing countries but in 2013 this was still awaiting approval by enough member states. BRICS have also expressed frustration about the way governments have handled the economic crisis in the West, for example through the adoption of expansionist policies by the US Federal Reserve (Fontanella-Khan 2012), although when the Fed hinted at an increase in interest rates in the summer of 2013, this had the effect