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Jackson's HOPE for Africa Act challenges rule by the IMF

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On Feb. 23, Rep. Jesse Jackson, Jr. initiated a bill for an American policy toward Africa, entitled The Human Rights, Opportunity, Partnership, and Empowerment for Africa Act (HOPE for Africa Act), as an alternative to the Clinton administration's African Growth and Opportunity Act (H.R. 434), which the administration had put forward in 1998 in the wake of the President's visit to the continent.

Jackson's HOPE Act has 50 co-sponsors from the House of Representatives and is supported by the AFL-CIO, which regarded the Clinton administration's bill as a replica for Africa of the anti-labor North American Free Trade Agreement (NAFTA). That a broad swath of the constituencies of the Democratic Party, including African-American leaders and social justice organizations, and environmental groups, support the bill, is an indication of the disquiet throughout the country with the onerous globalization policies represented by Vice President Al Gore and his big-buck backers.

The bill is one of the most significant challenges to the free-trade globalization that is destroying the world economy, ever to be put forward on Capitol Hill. It immediately challenges the entire structure of the post-colonial regime over Africa on two counts:

- It calls for an end to the conditionalities and structural adjustment programs of the International Monetary Fund (IMF) toward Africa, which programs have proven in every case to have destroyed the productive sector of African countries and destroyed countries' ability to deliver social services to their people, with the result that African life expectancy is plummeting across the board. The bill is also clear that IMF conditionalities represent a violation of the "self-determination" of countries—their national sovereignty.
- It calls for debt cancellation for the African countries, and a cap of 5% on the ratio of debt service payments to annual export earnings. The bill calls for the immediate cancellation of all bilateral debt owed by Sub-Saharan Africa (SSA) countries to the United States, and "instructs the U.S. representatives to the IMF and the World Bank to advocate full debt cancellation for Sub-Saharan countries. "In the interim, while the existing debt is being canceled, the Act provides for a cap of no more than 5% of export earnings of a SSA country to go towards servicing foreign debt," it reads. Such ratios now stand between a minimum of 15% and usually far higher, in the range of 45%. The cap is modelled on a similar cap placed on the debt service payments of Britain and Germany in the aftermath of World War II.

The Act further "provides for the purchase by the U.S. government (at Jan. 1, 1999 market value) of debt owed by African nations to private U.S. lenders and the debt's subsequent cancellation. The face value of this debt, and thus its continual interest payments, are significant, but its market value is less than a single year's interest. By eliminating the principal, this provision will remove the burden of large annual interest payments." The bill adds that "SSA governments benefitting from debt cancellation will be encouraged to devote at least 20% of their national budgets to basic services, with civil society input into allocation decisions."

The Clinton administration's bill had not called for any debt relief, and the administration has followed a policy with the Paris Club of granting debt relief to countries only if they have met onerous conditionalities to cut government spending, privatize state-owned firms, and agree to a regime of free trade.

However, at the African Ministerial meeting in mid-March (see article p. 66), the President called for the cancellation of $70 billion of the $230 billion debt of Sub-Saharan African countries, reflecting the pressure coming from the HOPE Act *and* the President Clinton's commitment to changing its relationship to Africa.

The Act significantly addresses the necessity to address the HIV epidemic that is now rampaging through the entire continent at levels of virulence reminiscent of the Black Death of the 14th century. The Act calls for increasing the accessibility of pharmaceuticals to Sub-Saharan nations, since most Africans cannot begin to afford those medicines which have proven efficacious against AIDS.

The HOPE Act thus opens the debate on not only how the United States will treat African countries, but how it will deal with the current global financial collapse. It recognizes the fact that the African continent is dying—dying from poverty and the disease and wars such poverty produces. If the IMF conditionalities are continued, if the African countries are kept in a state of "debt slavery," as Zambian President Frederick Chiluba has called it, the 500 million people of the African continent will die, in the near term. But the depleted state of the African economies, where poverty levels are at 70%, is only the most advanced front of the general collapse the IMF

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is imposing also on Asia, South America, and Russia.

The HOPE Act is thus a first step, but by no means the whole answer, to addressing the fact that the entire world's productive economy has been run into the ground by the free-trade dogmas of the financial oligarchy and its IMF enforcer. The Act does not address, but begs the question, of the reorganization of the world monetary system, the creation of a New Bretton Woods System as called for by American statesman Lyndon LaRouche, based on the principle of a community of interest among sovereign *nation-states* in the development of global infrastructure and development (see LaRouche Action Memo which follows).

Falling short

Although the HOPE Act directly challenges the IMF, it does not challenge the prescriptions for the "development" of underdeveloped countries which have guided the actions of the Fund and the World Bank over the last 45 years.

First and foremost, the Act provides for only $500 million in Overseas Private Investment Corp. funds for the construction of infrastructure on the African continent, such infrastructure to include "basic health services, potable water, sanitation, rural electrification, and accessible transportation." This $500 million does not begin to address Africa's huge infrastructure deficit. Africa today consumes less than one-sixteenth of the world's *average* in electricity; in some countries roads are nonexistent; in most countries, less than half the country has the privilege of drinking clean water.

While giving infrastructure short shrift, the HOPE Act calls for "supporting sustainable development," a phrase connoting the continued infrastructural and technological apartheid against the continent. Thus, the Act's program continues the "piecemeal" approach of low-cost, small projects for African countries—"strengthening educational systems, particularly for women; strengthening health care, particularly for HIV/AIDS prevention and treatment; strengthening prenatal care; supporting democratization; enhancing food security and sustainable agriculture; increasing the incomes of poor individuals; protecting the environment; enhancing the social, political, and economic status of women;" and prohibiting the use of any aid funds for military purposes.

The Act provides that such aid "will be dispensed through non-governmental organizations," a measure that abrogates the principle of national sovereignty.

Such an approach will not solve the problem. Priority attention must be placed on construction of those infrastructural projects—such as the Transaqua Project for the Democratic Republic of Congo and Central Africa, which would permit the massive irrigation of the desertified Sahel; the Jongeli Canal in southern Sudan on the Nile River; the building of trans-continental railways both east and west, and north and south; the introduction of nuclear-powered agroindustrial complexes, which permit the introduction of modern agricultural methods and the production of desperately needed electricity through nuclear power. In short, there is no reason for Africa to be maintained at "sustainable levels" of deprivation—the mission is to bring Africa into the 21st century, through the prioritization of projects that *transform* the entire productive landscape.

Then, Africa's vast productive capacities can flourish.

Documentation

Free trade bill vs. HOPE for Africa

Here is a comparison of the HOPE for Africa Act (H.R. 722) with the African Growth and Opportunity Act (H.R. 434).

Economic policy: self-determination or paternalism?

H.R. 434 rejects Sub-Saharan Africa (SSA) nations' right to self-determination by coercing them to adopt the International Monetary Fund (IMF) economic development model which has already had devastating consequences in the region. In order to qualify for the bill's narrow trade benefits, SSA countries must be annually certified by the U.S. President as meeting a long list of U.S.-imposed, IMF-style conditions:

- cutting government spending, such as further depriving vital health and education services of desperately needed funding;
- cutting corporate taxes;
- privatizing public assets through divestiture and opening up most areas of their economies to ownership and control by foreign multinationals, such as mines, agricultural land, and telecommunications;
- abandoning economic development policies that nurture local industry and enable it to compete globally;
- joining the World Trade Organization, where the Organization of Economic Cooperation and Development has said African nations will be the big losers; and,
- adopting policies such as the abolition of price controls, that will jeopardize food security.

On the other hand, H.R. 772, the HOPE for Africa Act, is based on the recognition that African nations have the right to determine their own approach to economic development.

Rather than being conditioned on SSA nations' adopting a one-size-fits-all economic model, the substantial benefits provided (market access for a wide range of African products, business facilitation, debt relief, development assistance), are instead designed to provide SSA nations with the resources and the freedom of maneuver necessary to pursue the policies that are in the best interest of the majority of their citizens.

The HOPE for Africa Act is modeled on the policy priorities established in the Lagos Plan of Action drawn up by African Finance Ministers in cooperation with the Organization for African Unity.

Debt relief

H.R. 434 provides no debt relief whatsoever—despite the fact that Africa's crushing $230 billion debt burden is a massive obstacle to economic and social progress.

HOPE for Africa provides for comprehensive debt cancellation. With upwards of 20% of Sub-Saharan nations' GDP going to debt service, few resources are devoted to economic development and urgent local needs.

African debts have been repaid many times over, but the vicious cycle of taking out new loans to pay the excessive compound interest on the old loans ensures that its debt will never be "officially satisfied."

HOPE for Africa calls for full cancellation of African foreign debt, starting with the relatively small debt owed to the U.S. government and covering IMF, World Bank, and private sector loans. By eliminating the principal—whose market value is less than a single year's interest payments—HOPE will remove the burden of servicing the debt.

During the period of debt cancellation, HOPE for Africa caps debt payments so that no African country is forced to pay an amount exceeding 5% of its annual export earnings toward the servicing of foreign loans (the same percentage countries paid under the Marshall Plan).

LaRouche's plan of action for Africa

Here are excerpts of LaRouche's remarks at a March 18, 1998 EIR *seminar on his New Bretton Woods proposal. The full speech appeared in our March 27, 1998 issue.*

First, the fact that the present crisis is *global and systemic,* rather than *regional* or *cyclical,* must be acknowledged. This acknowledgment is the required premise for any rational discussion of policy to follow. Within those bounds, those recent decades' institutionalized changes in policy, which are responsible for a three-decades build-up of the present crisis, especially since August 1971, must be identified, and entirely removed.

That is, the policy changes, the relevant policies made since approximately 1966-1967, in the policies of the U.S. government and the British government, the policies expressed by the 1967 collapse of the British pound sterling, the ensuing disorders in the dollar, the first step of collapse of the Bretton Woods System in March 1968, and then the collapse of the whole Bretton Woods System in mid-August 1971—the changes which have come in that process and out of that process, are the cause of what is today a *global systemic crisis.* It is not a cyclical crisis, it is not a business cycle crisis, nor is it regional. It is global. The entire system has destroyed itself, and the unravelling, which has taken over three decades, has now brought us to the end point, to the boundary conditions of extreme turbulence, as many boundary layers tend to be, in which we either eliminate those policy changes which were popularized and institutionalized during the past three decades, *or this world is not going to make it, in its present form.*

Nothing less than radical excision of those institutionalized practices which are now generally accepted, will suffice to halt this crisis.

Second, the present fatally ill global financial and monetary system, must be radically reorganized. It can not be reformed, it must be reorganized. This must be done through the concerted actions of a key initiating group of governments. This must be done in the manner of a reorganization in bankruptcy, conducted under the authority not of international institutions, but of *sovereign governments.* The acceptable model for the reorganized international monetary and financial system, is the incontestably superior successful functioning of the old Bretton Woods System of the pre-1958-1959 1950s, over anything existing since those axiomatic changes in direction of policy-shaping which were introduced by the United Kingdom and the United States, during the period 1966-1972.

The required measures include:

a) periodically fixed exchange values of national currencies;

b) limited convertibilities, as may be required;

c) exchange controls and capital controls;

d) fostering of necessary protectionist measures in tariffs and trade regulations; and

e) outlawing of the creation of markets which conduct financial speculation against targetted currencies.

Third, as measured in physical instead of the usual monetary terms, the world's economy is presently functioning at levels of *negative free energy,* which are presently far below a breakeven point. The current levels of net physical output are insufficient to prevent the existing populations and economies from continuing to collapse into a spiral of accelerating general physical-economic contraction, and ultimate physical collapse.

Unless this shortfall in per-capita physical output is reversed and soon eliminated, no financial and monetary system, however sound in design otherwise, could function. No mere medication could save a man who is being starved to death. There is no financial and monetary system which could possibly succeed, unless it were accompanied by a general program of forced-draft physical-economic recovery, a program which must rapidly approach and reach the levels of sustainable, positive free-energy ratios. This means a recovery analogous in important respects to the Franklin Delano Roosevelt recovery in the United States, and on a global scale.