Rising Africa Faces a Critical Test

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AFTER MORE THAN A DECADE OF STRONG ECONOMIC GROWTH, EXPANDING INVESTMENT FLOWS, AND NARRATIVES OF A CONTINENT ON THE RISE, SUB-SAHARAN AFRICA IS HEADING INTO A TOUGH YEAR, AS SOME OF THE CONTINENT'S LARGEST ECONOMIES FACE SIGNIFICANT SETBACKS AND POTENTIALLY VOLATILE POLITICAL TRANSITIONS. With the collapse of global oil and mineral prices, China's economic slowdown, and diminishing access to international financing, 2016 will offer an important reality check for many African governments and some hard lessons on the limits of growth without vision, diversification, and broad-based development. The coming downturn could prompt renewed impetus for critical reforms and smart public investments by some African leaders, but it could also drive greater political volatility in a number of countries whose stability is generally taken for granted in U.S. policy circles.

Responses in Nigeria, South Africa, and Angola will be particularly telling in this period, with continent-wide implications. These are the subcontinent's three largest economies and those with whom the Obama administration has sought (with decidedly mixed success) to foster strategic partnership and engage as regional interlocutors.

Angola, authoritarian but largely stable since the end of a decades-long civil war in 2002, is the most worrisome of the three. Oil production accounts for some 45 percent of the country's GDP and 70 percent of government revenues. Continued low oil prices will mean even deeper cuts to public spending as the government burns through foreign exchange reserves and faces a ballooning deficit, even as the president's family and inner circle maintain levels of conspicuous personal consumption that rival those of the world's most venal oligarchs. Spending cuts will take a toll on ordinary Angolans, who over the last two years have mounted unprecedented—albeit peaceful—public protests against the government, demanding civil liberties, basic services, and wage increases. The government has responded with disproportionate force—including against veterans protesting over pension payments—and is clearly sensitive to the possibility of expanding disorder.

Even more threatening to the regime will be the decline in resources available to fuel the president's vast patronage network that holds the increasingly restive ruling party together, including the country's politically powerful military generals. President Edoardo dos Santos, in power for 36 years, is expected to run again in the 2017 national elections, but bitter succession battles within the ruling party combined with an increasingly aggrieved and angry populace have many Angolan activists warning of major political upheaval before then.

South Africa, long considered by U.S. companies as the "investment gateway to Africa," is also headed for a turbulent year. Low commodity prices have hit the mining sector hard. Mine closures, worker layoffs, and mounting (sometimes violent) labor strikes have deepened political divisions within the ruling Africa National Congress (ANC) as politically powerful unions battle each other and threaten the basic political compact that has held the disparate parts of the ANC together. Cronyism and poor management in the country's state-owned enterprises have had crippling results, particularly in the power sector, which saw 100 days of rolling blackouts in the first 182 days of 2015. Unemployment officially stands at 25 percent, and compounding the many hardships faced by the country's poorest, a potentially record-breaking El Niño has already led to water shortages and cut the country's maize production—a basic food staple—by one-third in 2015. In October, university students launched nation-wide protests against tuition hikes and more broadly against the enduring disparities in access to quality education.

While the country reels from these multiple economic blows, government leadership is distracted by deepening political infighting, by mounting challenges from the populist (and largely obstructionist) Economic Freedom Fighters (EFF) and the right-leaning Democratic Alliance (DA), and by a series of major corruption scandals in which the country's top leadership is implicated. These battles will play out on a national scale in the 2016 municipal elections, and the sense of policy drift and mismanagement is unlikely to abate. The country is not likely to be fundamentally destabilized, but U.S. policymakers should not expect any constructive policy dialogue in this period, much less an enhanced South African role in continental peace and development concerns. In fact, U.S.-South Africa government relations may continue to sour, as party leaders increasingly use "anti-imperialist" rhetoric to deflect critics and forestall any real strategic introspection.

Ironically, Nigeria, which has evinced the most concern in U.S. policy circles as a country on the brink of economic and political collapse, is better positioned to weather the downturn. Peaceful elections in 2015 significantly diffused mounting national tensions, and newly elected President Muhammadu Buhari has made some promising early moves in tackling corruption, which costs the government billions of dollars annually. Oil revenues account for some 70 percent of government revenues, but just 14 percent of overall GDP. Nigeria's economy will likely be resilient, more so if the new government is able to move quickly to expand the tax base, staunch leakages, and vigorously pursue some of the reforms—in power, agriculture, infrastructure, and banking—that its predecessor set in motion. The country has made significant advances against the Boko Haram insurgency in the past year, and the U.S. security partnership, the source of considerable friction under former president Jonathan, has improved. Nigeria will not always be an easy partner but its demographics, economic dynamism, and fundamentally open society should ensure that it remains a top priority for U.S. long-term engagement in Africa.

The ill winds of economic downturn in 2016 may end up delivering some good. For new and prospective energy producers—Ghana, Tanzania, Mozambique, and Uganda, for example—the crisis could generate greater willingness to engage on issues of reform, transparency, strategic planning, and economic safeguards. For countries less reliant on primary commodities but that have nonetheless posted strong economic gains—Kenya, Côte d'Ivoire, and Ethiopia, for example—the regional downturn should give greater confidence and will offer a strong selling point to potential investors and development partners. For U.S. policy, which during President Obama's tenure has put greater emphasis on trade facilitation, technical capacity-building, and encouraging investments in critical infrastructure (notably electricity), the challenges of 2016 may expand openings for engagement, or at least identify those partners most committed to reforms. □

Sub-Saharan Africa is heading into a tough year, as some of the continent's largest economies face significant setbacks and potentially volatile political transitions.