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AFF: NU AID WILL TRIPLE IN FUTURE

Non-unique—the US will triple aid to Africa in the coming years

Rice, 05- Senior Fellow in FPGS at the Brookings Institution- June 2005 (Susan E., "U.S. Foreign Assistance to Africa: Claim Vs. Reality," The Brookings Institution)

President Bush has thus far rejected Blair's call to double aid to Africa, as well as the benchmark set by the OECD and signatories to the Monterrey Consensus, which called on developed countries to devote 0.7% of their gross national income to overseas development assistance by 2015. In declining to commit to either of these targets, President Bush frequently states that his Administration has "tripled" U.S. assistance to Africa over the past four years to \$3.2 billion. On June 7, 2005, the President also announced that the U.S. will spend an additional \$674 million, which consists of previously appropriated emergency humanitarian food aid. The U.S. recently agreed with G-8 partners to cancel the multilateral debt owed by 18 Heavily Indebted Poor Countries, a positive step forward.

AFF: NU AID HIGH NOW

Foreign aid to Sub-Saharan Africa has been enormous—the DA is ridiculously not-unique.

Lancaster '99 – professor of international relations @ Georgetown – 1999 (Carol, “Aid to Africa,” p. 40-41)

Over the past five decades, it has been unusual for foreign aid to exceed 1 or 2 percent of any country's gross national product. At its peak from 1955 to 1957, U.S. aid to Korea reached 10 percent of the GNP of that country but remained this high for only two years. Of the major world recipients of aid in 1989-90, in only three countries (Egypt, Jordan, and Bolivia) did aid exceed 20 percent of GNP, while the average ratio of aid to GNP for sub-Saharan Africa at that time equaled just over 22 percent. In 1993-94, foreign aid was equivalent to 5 percent or more of the GNP of forty out of forty-seven African countries. In sixteen of those countries, it contributed 20 percent or more of their GNP. Moreover, the relatively large aid flows to sub-Saharan African countries have not been transient. For thirty-five of these countries, aid has equaled 5 percent or more for at least a decade and in some cases, for more than two decades, often with aid as a percentage of GNP increasing over that period. The extreme case was Somalia, where in 1990 foreign aid equaled a whopping 237 percent of GNP. (This percentage included relief aid. The more "normal" ratio of aid to Somali GNP was usually over 100 percent between 1977 and 1990. Mozambique's aid-to-GNP ratio was over 50 percent between 1987 and 1993. These two have been the highest in the world.)" See table 2 for details. Figures of aid-to-GNP ratios for 1996 suggest that these percentages have begun to decline but remain above 10 percent of GNP in many countries and are still among the highest in the world. If there are any lingering doubts of the relative importance of aid throughout much of sub-Saharan Africa, one final set of figures should erase them. Investment is one of the keys to sustained growth and development. Investment is usually what foreign aid is intended to finance. In 1992-93, aid equaled 50 percent or more of investment in twenty-nine African countries, and in thirteen of those countries, aid was equivalent to more than 100 percent of investment. And although data on investment is incomplete, in most of these countries for which there is a time series, high ratios of aid to investment have continued over decades. There can be little argument that the answer to the first question in this chapter-"Has there been so much aid in Africa?"--is a decisive yes for most of the region.

AFF: NU AFRICAN GROWTH LOW

Sub Saharan economies are terrible and the infrastructure deficit means that real growth is not possible.

Africa News 07 ("Continent Competes Poorly in Global Economy," 6-14-07, Lexis)

Tunisia, in 29th place, was ranked top in Africa, supported by efficient institutions, low levels of corruption and a strong security environment, according to the global competitiveness index compiled by the WEF, World Bank, and African Development Bank (ADB). But the continent as a whole performed poorly, with 19 countries from sub-Saharan Africa ranked among the 27 lowest on the index. "The key to the future of African economies is trade and investment, and therefore, the business climate," ADB president Donald Kaberuka said in a statement. "It is crystal clear today that energy shortages, poor roads and inadequate communication between countries and regions constitute a real impediment to the private sector and economic growth and in the case of energy shortages threaten to roll back economic achievements of the last six years," he said. Since the start of this decade growth rates on the continent have exceeded the global average, with expansion set to accelerate this year to 6,2% for Africa as a whole and 6,8% for sub-Saharan Africa, compared with 5,5% and 5,7% respectively last year. But the WEF report said the continent still lagged developing countries in Asia and was not growing fast enough to raise living standards and meet the Millennium Development Goal of halving poverty by 2015. "With a few exceptions, income levels across the continent remain very low, and African poverty rates are the highest in the world," it said. The report's conclusions were similar to an assessment on Africa by the Organisation for Economic Co-operation and Development this week. The 30-member group of industrial countries said that although African trade and investment flows had surged over the past few years, the continent still accounted for only 1.5% of global trade and received just 4% of foreign direct investment. Sound policies, access to finance, improved infrastructure and less corruption would help boost Africa's competitiveness, the WEF said. There were prominent examples of success on the continent, but sub-Saharan Africa in particular was hurt by lack of infrastructure, poor health care and weak educational systems. However, the region managed to outperform Russia, China and Brazil on the quality of its institutions and also scored better than Brazil on macroeconomic stability. China was rated 55th on the index, while Russia was 61st and Brazil 67th. "Africa has the potential to become a far more competitive player in the global economy," said Obiageli Ezekwesili, vice-president for Africa at the World Bank. "The study finds that while a number of governments have significantly improved the business climate in their countries, the region as a whole has much more to do."

AFF: NU FOREIGN INVESTMENT LOW

Non-Unique—poor regulatory environments will keep foreign investors out.

IT-Online, 07 – (“Africa must strive to attract investment,” April 30, <http://www.it-online.co.za/content/view/43429/129/>)

However, until developing countries have addressed and completed the basic national telecoms sector reforms, and developed and finalised a transparent and consistent regulatory framework, foreign investors will remain sceptical of investing in Africa. Addressing delegates on the challenges for ICT development and investment in Africa at the fifth Digital Africa Summit conference in Cape Town last week, Finger said: “A vibrant and competitive information and communication sector is a prerequisite for developing information societies. However, there are vast disparities in the access and use of information communication technology (ICT) between and within countries in Africa. “Understandably, the governments of African countries face serious challenges in terms of ICT and telecoms infrastructure development, the most significant of which is a chronic lack of finance. As such, attracting foreign investment is key to overcoming the challenges these countries face in extending ICTs reach to a greater part of the population. “But in order to promote and encourage increased foreign investment, the regulatory environment within the ICT industry in African countries must be reformed. Governments must prioritise establishing a transparent and consistent regulatory framework to encourage and regulate competition. “Without transparent rules of business upon which investors can form expectations of future returns, assess their risks and have the assurance that contracts will be enforced with legal remedies, African countries will be unsuccessful in attracting the necessary sustained investment from the private sector.””

AFF: NU: INFLATION HIGH NOW

Non-unique: Inflation is high now due to oil prices.

Finance Markets, 05 (Brian Turner, Staff Writer, 5/11, <http://www.financemarkets.co.uk/2005/07/01/africa-struggles-with-oil-inflation/>)

On top of all the other problems facing Africa, rising oil prices have begun to have an effect, especially in non-oil producing nations. In Kenya, for example, higher oil prices have been a big factor in driving inflation in the year ending in June to 16 percent, its highest level in over 10 years. Last year in Kenya, inflation remained in single digits. The higher prices are not just felt in one part of the economy. Manufacturers face higher rates to run their operations, but ordinary people also must pay more for kerosene to cook and to light their homes. Consumers are charged higher prices for goods, as well, because transport costs are driven up as oil costs more, and those costs are passed on to the consumer. Even oil-producing states in Africa, however, are not entirely protected from the harmful effects of rising oil prices, even if those effects are different for them. More income from selling their oil and increased investment as new oil resources are developed can cause those nations' currencies to appreciate beyond reasonable levels. Additionally, these oil-producing nations have little incentive to develop other resources or industries while the oil money continues to roll in.

Global inflation is about to explode now.

ABC News 07 (Stephen Long, "OECD economist warns of global financial bubble," 7-24-07, <http://www.abc.net.au/news/stories/2007/07/24/1986238.htm>)

Some argue that private equity buyouts are giving rise to a similar bubble in Australia. But a senior official from the Organisation for Economic Cooperation and Development (OECD) argues these are all part of one giant bubble that threatens the world economy. Former Reserve Bank economist Adrian Blundell-Wignall is deputy director of financial and enterprise affairs at the OECD. He says there is a 'rolling bubble' of excess money sloshing around the globe, shifting from market to market. It is being inflated by a series of distortions in the world economy, and unless they are dealt with, he predicts the bubble will eventually burst, with serious consequences. Dr Blundell-Wignall is part of a diaspora of economists from the Reserve Bank of Australia now working overseas. At the OECD in Paris in recent months, he has written a number of influential papers: one on the causes of the private equity boom, another prescient piece on hedge funds and their exposure to risky debt. At heart, he sees a common cause - too much money chasing too few assets. "I think the big issue is there's just so much liquidity sloshing around the world economy, coming from a whole variety of sources," he said. "Words like sovereign funds come to mind; our own Future Fund is like a sovereign fund. "But when you compare that to sovereign funds like the Chinese foreign exchange reserves, other foreign exchange reserves, the reserves of the oil producing countries who are benefiting from the huge increase in the price of oil - all of this money together with very low interest rates in some parts of the world, zero interest rates in some countries, has meant that there's just a huge amount of liquidity sloshing around and trying to find a home." Dr Blundell-Wignall says excess liquidity is moving from market to market fuelled by cheap credit, driving up asset prices. He calls it a rolling bubble. "When you have that sort of a situation, you get these rolling bubbles," he said. "One of the first beneficiaries of the low global cost of capital was the mortgage boom and the housing boom in the US and other places. Of course, we're beginning to see the unwinding of that at the moment. "We've seen it going into private equity, where we've had a huge boom. And as the yields have started to rise of recent times, some of those deals are beginning to be pulled. And I suspect that we may see a bit of a popping of that bubble as well. "But that liquidity is still there - the mechanisms giving rise to that liquidity are still in place - and so what that means is that you get these rolling bubbles. "Where does the money go next is the issue." Dr Blundell-Wignall says the rolling bubbles are being inflated by a series of distortions in world markets, which have created a surplus of cheap credit. "

Inflation is pushing up food prices now.

Dow Jones Newswire 07 (Elizabeth Price, "IMF Chief Economist: The Global Economy is Booming," 7-19-07, <http://www.fxstreet.com/news/forex-news/article.aspx?StoryId=7fa820cb-01e4-4eb5-92dd-adcfd13e2f59>)

The global economy is performing well, though a spike in food prices around the world is feeding worries that booming demand will make inflation a problem for many countries, the International Monetary Fund's top economist said Thursday. "The world is doing very well; there's been a global boom," Simon Johnson, IMF director of research, told reporters in a briefing over a wide range of topics. Johnson's comments suggest the IMF will upgrade its forecasts for world economic output when it issues a revision scheduled for July 25. In April, the IMF predicted the global economy would expand just shy of 5.0% for both 2007 and 2008. Since April, it has become more clear that stronger demand has taken hold in Europe, with structural changes in Germany and efficiencies brought by adoption of the euro starting to pay off. Johnson said. He praised the European Central Bank for keeping inflation expectations under control, without stunting economic growth. "Inflation is a concern...but so far it hasn't fed through to inflation expectations, except in the U.K.," he said, noting that the Bank of England and the Bank of Canada have recently raised interest rates to keep expectations in check. Food prices have risen more than expected in many countries, in part because of a shift in production for ethanol, Johnson said.

AFF: AID NOT INFLATIONARY

No impact: signs of Dutch Disease indicate that aid is being effectively absorbed by economies—it does not cause a crisis.

McKinley 05 (Terry, Senior Adviser, Economic Policies and Poverty Reduction, Bureau for Development Policy, United Nations Development Programme, WHY IS 'THE DUTCH DISEASE' ALWAYS A DISEASE? THE MACROECONOMIC CONSEQUENCES OF SCALING UP ODA, Working Paper)

The response of this paper to the question in its title (“Why Is ‘The Dutch Disease’ Always a Disease?”) is that the impact of ODA need not be negative. ‘Dutch Disease’ symptoms, such as an appreciation in the real exchange rate, might arise in the wake of a surge in ODA but such symptoms can be a sign that ODA is having its intended effect, namely, promoting a transfer of real resources to developing countries. An ill-advised use of an ODA surge can pose macroeconomic problems, such as rising inflation and an appreciating exchange rate can. But if the additional foreign exchange is used not only to increase government expenditures but also to boost net imports, these problems should be manageable. In other words, the best use of ODA is to both ‘spend and absorb’ it. The composition of government expenditures and the composition of net imports do matter, however. If ODA is to contribute to sustainable growth, governments should prioritize public investment and encourage capital imports. Both can help contribute to an ensuing rise in private investment relative to private consumption. If an ODA surge is allowed to fuel primarily a consumption boom, then its long-term net impact might well be negative.

Note: ODA stands for Official Development Assistance

AFF: FOREIGN AID GOOD FOR ECONOMIES

Foreign aid is not inflationary and will stimulate private investment, which is key to the economy.

McKinley 05 (Terry, Senior Adviser, Economic Policies and Poverty Reduction, Bureau for Development Policy, United Nations Development Programme, WHY IS 'THE DUTCH DISEASE' ALWAYS A DISEASE? THE MACROECONOMIC CONSEQUENCES OF SCALING UP ODA, Working Paper)

If government purchases domestic goods and services, the potentially inflationary impact could be mitigated if it invested in public goods, such as roads, electricity grids, irrigation works, schools and health clinics. Such infrastructure increases the productivity of the private economy—eventually expanding aggregate supply in order to match the increase in aggregate demand from government expenditures. Under these circumstances, public investment will 'crowd-in', or stimulate, private investment. This could be a vital stimulus to sustaining a domestic process of capital accumulation. The positive effect of public investment on private investment in low-income countries, such as in sub-Saharan Africa, has recently been recognized by the IMF (Gupta et al. 2005).⁴ However, the IMF stresses the importance of physical infrastructure. Instead of increasing in low-income countries, however, public investment has been falling. A recent IMF study of fiscal policies in eight pilot countries revealed that public investment had fallen by one per cent of GDP between 1994-98 and 1999-2003, compounding a negative earlier trend in many of them (IMF 2005c). In order to highlight the importance of public investment, it would be helpful to modify the way that it is treated in fiscal analysis. Public capital expenditures do not, for example, have the same impact as current expenditures. Thus, they should not be treated the same in fiscal terms. They create more public capital, increasing the net worth of government holdings. Moreover, they help expand the productive capacity of the whole economy.

AFF: GROWTH DOES NOT HELP POOR

Positive growth statistics have nothing to do with the quality of life in Sub-Saharan Africa, the elite are profiting while extreme poverty remains rampant.

Znet 07 (Rajesh Makwana, "International aid and economy still failing sub-Saharan Africa," 6-14-07, <http://www.zmag.org/content/showarticle.cfm?ItemID=13061>)

A recent report by the United Nations has revealed that not a single country in sub-Saharan Africa is on track to achieve the internationally agreed target for halving extreme poverty by 2015. This dire failure is unsurprising given the G8's undelivered aid commitments, the inability of the World Trade Organisation (WTO) to negotiate development-friendly trade rules, and the financial burdens imposed on many African countries by the International Monetary Fund (IMF) and The World Bank. According to the report, published at the midway point in the Millennium Development Goals (MDG) process, the number of people living on less than one dollar a day has barely changed over the past seven years, declining less than 5 per cent to 41.1%. As much of a concern is the increasingly slow rate by which the number of people living in extreme poverty is reducing. In line with this disappointing trend there has been little change in the number of children under five who remain hungry and underweight; a mere four per cent decrease was observed between 1990 and 2005. Over the same 15 year period, mortality rates for children under five dropped by less than three per cent and only an additional five per cent of the population have gained access to basic sanitation, leaving 37% of people without this necessity. The number of deaths from AIDS is also accelerating - a staggering two million people in 2006. The report also highlights the impact of global warming which is already being felt throughout the region. Recent examples include the intensification of droughts and desertification in Kenya, the accelerated melting of ice field peaks in Tanzania, and the increased flooding experienced in the Niger Delta. The effect of climactic change in sub-Saharan Africa inevitably heightens the scarcity of resources such as food and water, fuels conflict and exacerbates poverty. For instance, only 42% of the rural population presently have access to clean water but this, according to the Intergovernmental Panel on Climate Change (IPCC), could soon include up to 250 million Africans. Despite important yet limited improvements in education, healthcare and agricultural productivity in a few countries, the overall trends for poverty reduction, access to clean water and basic healthcare are continuing to plummet. The G8 leaders concur in theory that nothing could be more important than preventing the imminent deaths of millions of Africans who are being indirectly denied the right to these essential resources. Yet as the failed Gleneagles promises for increased aid to Africa demonstrate, global political priorities and economic policy address poverty indirectly, if at all, focusing instead on creating economic growth and a strong corporate sector. G8 ministers managed to placate many campaigners at the end of the 2006 Gleneagles Summit with inflated promises for more aid. The conclusion of this year's Heiligendam summit, however, has once again united civil society in its condemnation of the G8's apparent self interest. According to the UN, the MDG to half extreme poverty will only be achieved if the current pace of aid donation is doubled. Not only is such commitment extremely unlikely, but research also shows that economic growth and international aid will never be sufficient to address poverty to any meaningful extent. The Chronic Poverty Research Centre has calculated that even if the Millennium Development Goal for poverty and hunger is achieved by 2015, 900 million people will still be living on less than one dollar a day. According to the IMF, Africa is currently enjoying robust economic growth. It is also exporting more food than ever before through world trade and corporate investment, alongside an improvement in productivity. In light of the persistence and prevalence of extreme poverty, however, the relationship between these economic improvements and the provision of the most basic welfare is intangible at best. Although it is undeniable that this equation is complicated by biased international trade rules and the corruption of both African governments and multinational corporations, it is also clear that the neoliberal policies adopted by the IMF, World Banks and WTO are incapable of addressing poverty in regions where it remains a priority. The data on poverty in Africa strongly suggests that the internationalisation of market forces over the past quarter century has kept Africa impoverished, whilst simultaneously creating unimaginable wealth for a relative minority in the global north. The 'trickle-down effect', which claims that financial returns from commercial exports and growth will eventually benefit lower socio-economic groups, seems to have been reduced to an 'intermittent-drip effect' in the case of Africa. This is unsurprising given that domestic production is increasingly geared toward exporting cash crops to the international market, a sector dominated by agribusiness giants. As a consequence of this arrangement, which is in line with international free trade rules for developing countries, local producers and economies loose out as corporate profits are repatriated abroad or paid out in executive salaries and shareholder dividends. Any economist can confirm that a market economy will increase inequality by disproportionately rewarding those with greater economic, financial or political power. Only government intervention to redistribute wealth can remedy this basic flaw, yet redistributive mechanisms are absent both in the global economy and in many African countries where economic adjustment is geared to debt repayment and not welfare, courtesy of the IMF. The good news about economic growth rates in sub-Saharan Africa is further compromised by the fragility of booming commodity prices. Being primarily an agricultural continent, Africa relies on the export of a small number of commodities to create the growth that can eventually finance welfare services. Not only is this dependency on exports to global markets a risky way to underwrite the social safety net, but it undermines the simple logic of prioritising food security. Instead of securing food for African children, a third of whom are underweight, the free trade regime redistributes domestic food production to other parts of the world. Given the urgent needs of the continent, such measures defy economic, social and moral sense. Africa has, for the past 25 years, provided a clear demonstration of the dislocation between economic growth and the provision of basic human needs.

AFF: AFRICA NOT KEY TO GLOBAL ECONOMY

No internal link- Africa has no effect on the world's economy.

The Committee on International Relations '98 (Hearing before the Subcommittee on Africa, "Africa in the World Economy", http://commdocs.house.gov/committees/intlrel/hfa49922.000/hfa49922_0f.htm)

There are stark realities we cannot ignore, however. Sub-Saharan Africa faces critical challenges; poverty remains widespread, and there are a host of social, environmental, and health problems that hamper productivity and growth. As you indicated, the region accounts for less than 1 percent of world trade and only 4 percent of global GDP. It has failed to share significantly in the tremendous growth in international investment flows of recent decades.

No internal link- Africa not key not global economy

United Nations Economic Commission for Africa, 07 (<http://www.uneca.org/era2007/chap3.pdf>)

What is more, despite a recent slight recovery, Africa's share of global exports of merchandise remains low. Figure 3.1 shows the evolution of its share in global exports from 1965 to 2005. Its share in 2005 was 2.85 percent only, roughly the equivalent of its 1991 value and less than half its peak value in 1980 (5.97 percent). For comparative purposes, Africa accounted for 14 percent of world population in 2005.³ At the current rate of growth of African exports and according to the United Nations population growth estimates, the continent would have to wait until 2045 for its share in world exports to match its share of world population.⁴ Non-oil-exporting SSA countries currently account for 8.5 percent of world population. At the current rate of growth of their exports and even without taking account of their increasing weight in total world population, these countries would have to wait until 2387 (382 years!) to see their export share match their share of world population.

AFF: AID OFFSETS DUTCH DISEASE

Even if Dutch Disease occurs, it will be more than offset by the positive impacts of assistance.

Barder, 06— Center for Global Development - 2006 (Owen, “A Policymakers’ Guide to Dutch Disease: What is Dutch Disease, and is it a problem?” July)

It is sometimes claimed that an increase in aid might cause Dutch Disease--that is, an appreciation of the real exchange rate which can slow the growth of a country's exports--and that aid increases might thereby harm a country's long-term growth prospects. This essay argues that it is unlikely that a long-term, sustained and predictable increase in aid would, through the impact on the real exchange rate, do more harm than good, for three reasons. First, there is not necessarily an adverse impact on exports from Dutch Disease, and any impact on economic growth may be small. Second, aid spent in part on improving the supply side--investments in infrastructure, education, government institutions and health--result in productivity benefits for the whole economy, which can offset any loss of competitiveness from the Dutch Disease effect. Third, the welfare of a nation's citizens depends on their consumption and investment, not just output. Even on pessimistic assumptions, the additional consumption and investment which the aid finances is larger than any likely adverse impact on output. However, the macroeconomic effects of aid can cause substantial harm if the aid is not sustained until its benefits are realized. The costs of a temporary loss of competitiveness might well exceed the benefits of the short-term increase in aid. To avoid doing harm, aid should be sustained and predictable, and used in part to promote economic growth. This maximizes the chances that the long-term productivity and growth benefits will offset the adverse effects--which may be small if they exist at all--that big aid surges may pose as a result of Dutch Disease.