April 24, 1990

STRENGTHENING U.S. TIES WITH KENYA

INTRODUCTION

Among the many dividends of communism's collapse in Eastern Europe is the emergence of a new-found respect in Africa for the United States. From Pretoria, South Africa, to Lagos, Nigeria, African governments are seeking stronger relations with what they perceive to be the world's sole surviving superpower. Yet, at the very moment that Washington could begin devising a creative U.S. policy for Africa, some members of Congress are attacking those African nations that could anchor expanded American engagement in Africa.

In particular jeopardy is Washington's relationship with one of America's strongest African allies, Kenya. Some members of Congress want to suspend economic and military assistance to Kenya due to alleged human rights violations by the Kenyan government.

Supporting U.S. Interests. Since achieving independence from Britain in 1963, Kenya has been one of the few African nations to pursue a pro-Western political course. In contrast to most African governments, Kenya has permitted and even welcomed American military access to its naval and air bases. U.S. naval forces dock and refuel at Mombasa, Kenya's principal seaport, located on Kenya's southeastern Indian Ocean coast. More important, American use of Mombasa enables the U.S. to project air and naval power in the Gulf of Aden, Indian Ocean, and Persian Gulf in the event of emergencies or threats to American security interests in these regions.

Kenya supports American political interests in Africa as well. With Washington's endorsement, Kenyan President Daniel arap Moi says he wants to mediate settlements to long-standing civil wars in Ethiopia, Mozambique, and Sudan. In Sudan, Moi cooperates with Washington's famine relief efforts, which have saved tens of thousands of Sudanese from starvation. Kenya has been the largest provider of famine relief supplies to Sudan.

Despite this, Representative Howard Wolpe, the Michigan Democrat, is leading the attack against Kenya. Though Wolpe mutes his criticism of some of Africa's most egregious human rights violators, like Ethiopia's Mengistu Haile Mariam, he has lashed out at Kenya, and threatened to seek the termination of U.S. military and economic assistance unless human rights in Kenya are improved.

To protect strong U.S.-Kenyan relations and help foster a free and prosperous Kenya, the Bush Administration and Congress should be consistent in using human rights as a determinant of American policy. The U.S. surely cannot ignore violations by communist regimes like those in Ethiopia and Angola while criticizing governments like Moi's that not only are friendly to the U.S., but which are less repressive than other nations in Africa.

Seeking Stronger Ties. More important, besides the value of preserving U.S.-Kenyan strategic and political cooperation, healthy relations with Kenya will allow Washington to nudge Moi toward a better human rights record. The U.S. thus should seek an even stronger U.S.-Kenyan relationship in which the U.S. can play a constructive role in encouraging political pluralism, a free market economy, and respect for human rights and liberties, while continuing to benefit from U.S.-Kenyan strategic cooperation.

To achieve these objectives, the Bush Administration should:

♦ ♦ **Maintain U.S. access to the Kenyan air and naval facility at Mombasa.**

♦ ♦ **Invite Kenyan President Daniel arap Moi to visit Washington to reemphasize the importance of U.S.-Kenyan relations.** Bush and Moi should discuss increased political, strategic, and trade cooperation between Washington and Nairobi, and Moi's role as a peacemaker in Africa.

♦ ♦ **Encourage Kenya to initiate free market reforms, such as privatizing state enterprises and eliminating price and marketing controls.** Despite enormous potential, the Kenyan economy is seriously hampered by too much government involvement.

♦ ♦ **Assist financially, through the National Endowment for Democracy (NED), those Kenyan organizations that support democratic, free market values.**

♦ ♦ **Continue military aid, currently $15 million per year, to Kenya to maintain U.S. air and naval access to Kenyan military facilities and assist Kenya in defending itself from external aggression.** Kenya borders heavily-armed nations such as Ethiopia and Uganda, and U.S. security assistance is important for Kenya's defense.

♦ ♦ **Organize a U.S.-Kenyan business council to identify and resolve problems of U.S. investors in Kenya, including burdensome bureaucratic procedures and corruption.**

FROM COLONIALISM TO MOI

Before winning independence in 1963, Kenya was a British colony. Britain obtained control over Kenya at the 1885 Berlin Conference, where the major European powers divided East Africa into spheres of influence. Britain declared Kenya a British Protectorate in 1895, and Kenya was made an official colony in 1920.

Kenyan opposition to colonial rule reached a high point when members of Kenya's Kikuyu tribe launched the "Mau Mau" rebellion against the British in October 1952. Mau Mau was a secret organization of Kikuyus who terrorized the British, and often killed other Kikuyus who refused to take an oath swearing not to cooperate with the British. British security forces aiding Kenyan police brought the insurrection to an end in 1956, but only after some 13,500 Kenyans were killed. Tens of thousands of suspected and known Mau Mau were detained by the British; leaders of the Kenya African Union (KAU), an anti-colonial nationalist party, were arrested and accused of organizing the rebellion.

Prompted in part by the Mau Mau rebellion, London in 1955 began taking steps toward granting Kenya independence. A ban on Kenyan political parties was partially lifted that year, enabling local level political associations to organize freely.

As political activity in Kenya increased, debate intensified among Kenyans over how political power should be distributed in an independent Kenya. Kenya's two major political par-

KENYA

Official Name – Republic of Kenya.

Area – 224,960 square miles, slightly smaller than Texas.

Population – 22.7 million (1988).

Capital – Nairobi (estimated population 1.1 million).

Ethnic Groups – Kikuyu (21%), Luhya (14%), Luo (13%), Kalenjin (11%), Kamba (11%), Kisii (6%), Meru (5%), Asian, European, Arab (1%).

Official Languages – English and Kiswahili.

Religions – Protestant (38%), Roman Catholic (28%), Indigenous beliefs (26%), Muslim (6%).

Work force – 8.56 million: Public sector – 48.2%. Industry and commerce – 21.2%. Agriculture – 21.1%. Services – 13%.

Natural Resources – Wildlife, land, soda ash, and fluorspar.

Agriculture Products – Coffee, tea, sugar, cotton, pyrethrum, sisal, tobacco, pineapples, and wattle.

Industrial Products – Petroleum products, cement, beer, and light manufacturing products.

Infant mortality – 59/1,000.

Life expectancy – 58.5 years.

Source: *Kenya: Background Notes*, U.S. Department of State, Bureau of Public Affairs, January 1988, p.1.; *Foreign Economic Trends and Their Implications for the United States*, U.S. Department of Commerce (prepared by American Embassy, Nairobi), March 1990; and *The Africa Review* (Essex, United Kingdom, 1988), pp. 121-126.

Heritage DataChart

ties – the Kenya African Democratic Union (KADU) and the Kenya African National Union (KANU) – differed strongly on how to share political power. Since KADU drew its support from a coalition of Kenya's smaller tribes, it advocated a decentralized or federal constitution to prevent political domination by Kenya's largest tribe, the Kikuyu. KANU, by contrast, advocated a centralized system of government. KANU was led by the charismatic Jomo Kenyatta, who was previously imprisoned by the British as an organizer of the Mau Mau rebellion and who became the first black African insurgent to be known world-wide.

Centralized Republic. Britain granted Kenya full independence on December 12, 1963. At first it appeared that Kenya would become a federal state, similar to that advocated by KADU. Kenya's first independent constitution, finalized by KADU and KANU in London in September 1963, gave local governments considerable political autonomy. But in August 1964, Kenyatta announced his intention to make Kenya a centralized republic, abolishing regional autonomy and creating a strong presidency. The proposal was heatedly debated, but when the proposal was voted upon in November 1964, KADU was unable to prevent its passage. Recognizing that the measure was likely to pass, KADU announced that it was dissolving its party and merging with KANU.

On the first anniversary of independence, Kenya was proclaimed a republic. Kenyatta was elected Kenya's president, the first of only two presidents to rule Kenya. Campaigns for Kenya's parliament have been contested by a multiplicity of KANU candidates, and debate within the party has been uncharacteristically wide for a one-party state. Nonetheless, the centralization of political power within KANU has spawned limited political freedom in Kenya with opposing political parties banned. The Kenya People's Union (KPU), a small political party, was formed in 1966, but the party was banned officially by the government in 1969.

When Kenyatta died on August 22, 1978, Vice President Daniel arap Moi assumed the presidency, in accordance with the country's constitution. As Kenyatta before him, Moi also serves as president of KANU, which remains Kenya's only legal political party. Unlike Kenyatta, Moi is not a Kikuyu, but comes from the Kalenjin tribe which, at 11 percent of Kenya's population, is about half the size of the Kikuyus. Under Moi's leadership, the ethnic base of Kenya's government has been broadened to include such smaller Kenyan ethnic groups as the Luo and Kamba. Those of Somali origin are also better represented.

MODERN KENYA

Kenya is located on Africa's east coast, bordering the Indian Ocean to its east and five African countries – Ethiopia, Somalia, Sudan, Tanzania, and Uganda – to the north, west, and south.

Since independence in 1963, Kenya has been an island of stability and relative prosperity in a region characterized by political chaos, successive coups d'etat, violence, and poverty. Kenya's neighbors include some of the world's most egregious human rights violators such as Ethiopia, Somalia, and Sudan.[1] Four of Kenya's neighbors – Ethiopia, Somalia, Sudan, and Uganda – are embroiled in devastating civil wars. And in each of Kenya's neighbors, hunger and starvation are commonplace.

Human Rights Improvements. Though Moi has kept his nation at peace, Kenya's seven major ethnic groups – the Kalenjin, Kamba, Kikuyu, Kisii, Luhya, Luo, and Meru – remain bitter rivals. As such, the potential for violence is a major Kenyan concern. Kenya's human rights climate, though often criticized by Western liberals, is better than such East African neighbors as Ethiopia, Somalia, and Sudan. According to the U.S. Department of State, there were no political murders in Kenya last year, no reports of disappearances, and Kenyans were "free to engage in private economic activity and own property without government interference."[2] Additionally, last June, Moi freed all political prisoners detained without trial or charge.[3] Living standards also are higher in Kenya than in other black African nations. The best barometer of this may be life expectancy. In Kenya it is 58 years, the highest of any East African nation. This compares with 53 years in Tanzania, 49 years in Burundi and in Rwanda, 48 years in Uganda, 47 years in Ethiopia, and 47 years in Somalia[4] (U.S. life expectancy is 75 years; Egyptian is 61).

Kenya also has fared better economically than its neighbors. Though the Kenyan economy has been hampered by stifling regulations such as government control of major financial institutions and price controls on many agricultural and industrial products and by corruption in many business sectors, Kenya's per capita gross national product is the largest in East Africa. For 1987 it was $330, compared with $300 for Rwanda, $290 for Somalia, $260 for Uganda, $250 for Burundi, $180 for Tanzania, and $130 for Ethiopia.[5] Kenya has the most developed roads in the region, and it is the only East African nation with a notable industrial capability, producing beverages, tobacco, textiles, cement, metals, and other products. The Kenyan

1 For a fuller discussion of human rights and political conditions in the Horn of Africa, see Michael Johns, "Preserving American Security Ties to Somalia," Heritage Foundation *Backgrounder* No. 745, December 26, 1989; Michael Johns, "A Cautious Welcome for Sudan's New Government," Heritage Foundation *Executive Memorandum* No. 245, July 28, 1989; and Michael Johns, "A U.S. Strategy to Foster Human Rights in Ethiopia," Heritage Foundation *Backgrounder* No. 692, February 23, 1989.

2 U.S. Department of State, *Country Reports on Human Rights for 1989*: Kenya, pp. 159-160.

3 "Kenya Orders Detainees Freed," *The Washington Post*, June 8, 1989, p. A28.

4 The World Bank, *World Development Report 1989: Financial Systems and World Development Indicators*, June 1989, Table 1 (Basic indicators), p. 164.

5 The World Bank, *World Tables* (Baltimore: The Johns Hopkins University Press, 1989), country tables.

industrial sector is growing over 12 percent each year. Kenya also is, by far, the largest exporter of goods in East Africa.

Nonetheless, Kenya is one of only 42 countries listed by the World Bank as "low income economies."[6] Agriculture is the base of the Kenyan economy, accounting for approximately 30 percent of gross domestic product and engaging over 75 percent of the population, and earning about 66 percent of Kenya's foreign exchange.[7] In recent years tourism has surpassed coffee and tea as Kenya's main foreign revenue earner as commodity prices for these agricultural products have fallen.[8] Last year's earnings on tourism are estimated to have been $340 million, with over 700,000 tourists visiting Kenya. Unlike Angola, Nigeria, Zaire, and other African countries that have natural resources like coal, copper, diamonds, and oil, Kenya can boast no significant natural resources.

KENYA ECONOMIC PROFILE

Per Capita Gross National Product (in current U.S. dollars):

1988:	$360
1987:	$330
1986:	$310
1985:	$300
1984:	$310
1983:	$340

By Comparison, 1988 per capita GNP:

U.S.:	$19,810
Chile:	$1,750
Sudan:	$350
Egypt:	$331
Tanzania:	$158
Ethiopia:	$115

Exports to U.S. (in current U.S. dollars):

1989:	$68.3 million
1988:	$64.1 million
1987:	$79.9 million
1986:	$149.1 million
1985:	$99.3 million
1984:	$68.8 million
1983:	$65 million

Imports from U.S. (in constant U.S. dollars):

1989:	$133 million
1988:	$91.3 million
1987:	$88.5 million
1986:	$67.8 million
1985:	$91.2 million
1984:	$73.7 million
1983:	$66.9 million

Source: Department of Commerce sources. (1983 to 1986 trade figures reflect overall cost of goods, including insurance and freight. 1987 to 1989 trade figures reflect customs value of goods).

Heritage DataChart

AMERICA AND KENYA

Kenya's beauty and splendor are well known to Americans; about 78,000 of them visit Kenya each year. Moreover, some 120 U.S. firms have subsidiaries, affiliates, or branch offices in Kenya, making the country

6 *World Development Report 1989, op. cit.*, Table 1 (Basic indicators), p. 164.

7 U.S. Department of Commerce, *Foreign Economic Trends and Their Implications for the United States* (prepared by the American Embassy, Nairobi), March 1990, p. 8.

8 Roger Thurow, "Capital Flight Strains Kenyan Economy," *Wall Street Journal*, August 17, 1989.

among the most attractive African nations for U.S. investment. American firms in Kenya include Cheesbrough-Pond's Incorporated, Delmonte, General Motors Corporation, and Mobil Oil Corporation. Kenya is Africa's fastest growing commercial market for U.S. goods. U.S. exports to Kenya last year totalled $133 million and included fertilizers, locomotives, industrial and agricultural chemicals, computers, and other products. This makes Kenya the third largest market in Sub-Saharan Africa for U.S. goods after South Africa and Nigeria. Imports from Kenya were $68.3 million, and included coffee, tea, and insecticides.

Kenya is important strategically to the U.S. Access to Kenyan air and seaports facilitates American capability to project air and naval power in the Indian Ocean to ensure the free flow of international commerce and to respond to any crisis or security threat, such as terrorism, in the region.

Important Port. As a result of these threats, the U.S. signed a military agreement with Kenya in April 1980 which permits the U.S. Navy to use Mombasa as a liberty port for refueling and docking. Also under the 1980 agreement, the U.S. Navy and Air Force can use Kenyan air facilities if air forces are needed to counteract aggression in the region. The agreement stipulates that either party can renegotiate its terms this year.

During American naval patrols in the Persian Gulf in the 1980s, Mombasa was used extensively for docking and refueling of American warships. The U.S. has not used Mombasa for any other major military operations in the past decade, and the facility is considered less important for American security interests than the naval and air base in Berbera, Somalia, along Somalia's northern coast. Nonetheless, Mombasa continues to play a valuable role as a potential launching point should American forces need to counter terrorism or foreign agression in the Indian Ocean, Persian Gulf, or Sub-Saharan Africa. These are important, though unstable, regions for American security interests. Because an estimated 500,000 barrels of crude oil pass through the region every day, much of which is destined for the U.S., and because the region contains such unpredictable states as Ethiopia and Iran, the U.S. needs to maintain its access to Mombasa.

Mombasa's importance is magnified further in light of mounting political instability in Somalia. Mohammed Siad Barre, Somalia's leader, disbanded his cabinet this January in a last ditch effort to save his fledgling regime. Anti-Siad rebels have mounted military offensives with growing success in recent months, and political opposition to Siad has reached an all-time high. Should Siad fall, the U.S. stands to potentially lose its right to operate from Berbera and Mogadishu, Somalia's two military bases, leaving Mombasa as the only remaining military facility in the region to which the U.S. has access.[9]

9 For a fuller discussion of the importance of Somalia's military facilities for U.S. strategic interests in the Horn of Africa and the Middle East, see Johns, "Preserving American Security Ties to Somalia," *op. cit.*

KENYA'S IMPORTANCE TO EAST AFRICA

Because of its economic and political stability, Kenya has the potential of becoming an influential economic and political example of success for East Africa if Kenya achieves steady economic growth and greater political liberty. Because Nairobi serves as the commercial center for East Africa, and because Mombasa is the central port of the region, Kenya is well positioned for becoming the hub of regional economic growth.

Ethiopia, Somalia, Sudan, Uganda and other neighbors that trade with Kenya could follow Kenya down the road of free market and democratic reform, opening the door potentially for peace and greater prosperity in embattled East Africa. A prerequisite of such regional influence already exists in West Africa, where Nigeria's democratic, free market reforms are influencing the attitudes of West Africans. In Nigeria's western neighbor, Benin, for instance, calls for democratic change led to the toppling this month of Benin's dictator Mathieu Kerekou.[10] In the West African nation of Ivory Coast, too, calls are now intensifying for multi-party democracy. If Kenya is successful, it could have a similar impact on Somalia, Tanzania, or even Marxist-controlled Ethiopia.

KENYA'S FIVE ECONOMIC CHALLENGES

Kenya faces five serious economic challenges if it is to graduate from the World Bank's list of "low income economies."[11] These are:

1) Promoting economic growth

The Kenyan economy grew 5.2 percent in 1988.[12] These gains to some degree are offset by Kenya's rapidly growing population, estimated at 4.1 per-

10 This December, 20,000 protesters in Cotonou, Benin, mostly students, rallied against Kerekou's authoritarian reign. Crowds shouted "Kerekou out!" and banners read "Kerekou resign. Power to the people." An additional 5,000 people joined the protests in Porto Novo, Benin's capital. This month, after weeks of pressure for democratic change, Kerekou was ousted. "20,000 in Benin Tell Leader to Resign Now," *New York Times*, December 13, 1989. For a fuller discussion of Nigeria's importance to West Africa, see Michael Johns, "A U.S. Policy for Nigeria: Supporting Political and Economic Freedom," Heritage Foundation *Backgrounder* No. 730, October 13, 1989, pp. 6-7.

11 In its 1989 development report, the World Bank defines a "low income economy" as a country with a gross national product per capita under $450 a year. Kenya's GNP per capita, in 1987, was $330, making it the 26th poorest nation in the world. *World Development Report 1989, op. cit.*, p. 164.

12 Gross domestic product (GDP) figure for 1988, the most recent statistic available. *Foreign Economic Trends and Their Implications for the United States, op. cit*, p. 4.

cent a year and among the world's highest. A Kenyan woman gives birth on average to 6.7 children in her lifetime. Employment grew by 3.5 percent in 1987, but new workers entering the work force grew by 4.5 percent.[13] Result: Kenya has an urban underemployment rate of 25 percent to 35 percent.[14] The population crisis is magnified further by illegal immigration into Kenya, mostly from neighboring Somalia, where thousands of refugees are fleeing Somalia's civil war. Should population growth rates continue at current levels, the Kenyan population will double in seventeen years.

A growing population, of course, can be an economic asset. It is an economic liability only when a country's economic policies erect obstacles to individual initiative and entrepreneurism, to investment and savings, and to foreign trade.

Accelerated Kenyan economic growth will not necessarily require greater levels of foreign aid from the West. Aid was poured into Kenya during the 1980s with no improvements in Kenya's economic growth. Kenya's average annual economic growth rate was 1.3 percent between 1973 and 1980. But from 1980 until 1987 the Kenyan economy, adjusted for population growth, declined 0.9 percent.[15] Throughout this time of economic decline, from 1981 to 1987, Kenya received $3.2 billion in foreign development assistance, primarily from the European Community, Italy, West Germany, and the U.S.

TOTAL VALUE OF EXPORTS (1987) in millions of current U.S. dollars:

Kenya:	$984.6
Sudan:	$482.3
Ethiopia:	$402.4
Tanzania:	$347.5
Uganda:	$221.5
Burundi:	$139.5
Rwanda:	$132.8

Source: The World Bank, *World Tables*, (Baltimore: The Johns Hopkins University Press, 1989), country tables.

Heritage DataChart

Requirements for Growth. Instead of sending additional foreign aid to Kenya, Washington and Nairobi must re-evaluate many of Kenya's economic policies. Growth will require, among other things, Kenya to eliminate price controls and marketing boards, which discourage farmers from producing, and privatize state-controlled enterprises that are operating inefficiently.

Another challenge is for Kenya to promote consistent economic growth in sectors other than agriculture. Because the Kenyan economy is so dependent on coffee and tea production, the economy faces major setbacks when coffee or tea prices fall or when weather conditions reduce harvests of these goods. By continuing efforts to expand industrial production, which currently ac-

13 *Ibid*, p.6.
14 Underemployment is defined as those individuals working less than full time who desire to and are capable of working full time.
15 Average gross national product (GNP), 1980-1987. The World Bank, *Sub-Saharan Africa: From Crisis to Sustainable Growth*, November 1989, Table 1 (Basic indicators), p. 221.

counts for 13.4 percent of gross domestic product, Kenya can reduce its dependence on coffee and tea and protect itself from economic catastrophe when the production or sale of agricultural goods falls short of expectations.

A final challenge is reworking the Kenyan tax code to encourage economic growth. Currently, the top marginal tax rate of 65 percent is levied against all Kenyans with incomes of over $730. This excessive rate removes the incentive for productive economic activity because Kenyans are permitted to keep the equivalent of only 35 cents of every dollar earned over $730. A new Kenyan tax code should provide greater encouragement for economic production by lowering the marginal rate.

2) Attracting foreign investment

Because its economic climate is more hospitable than that of most other African countries, Kenya has been attracting investors from Britain, Canada, and West Germany. American firms investing in Kenya include Cheesbrough-Pond's Incorporated, Delmonte, General Motors Corporation, and Mobil Oil Corporation. Total foreign investment in Kenya amounts to $1.06 billion. This figure surely would grow were Kenya to ease such burdensome foreign investment regulations as price controls, import licenses, and foreign exchange manipulation. Some progress towards this is being made. In March 1989, for example, Kenya simplified its import licensing procedure for foreign investors. Under the previous system, investors often would wait months before learning whether their imports had been approved. Such extraordinary delays prompted many American firms to pull out of Kenya. The new licensing process can usually be completed in two weeks.

Another hurdle to greater foreign investment is bureaucratic barriers to dividend repatriation. Some investors have reported waiting up to fifteen months for approval to repatriate dividends, and the problem features prominently among the complaints of businesses that have pulled out of Kenya.[16]

3) Eliminating corruption

Corruption is a serious problem for domestic and foreign investors. Says a veteran Kenyan businessman: "It has gotten so that you have to bribe someone to find a file and then bribe someone to move the file."[17] Such corruption chases capital abroad. The World Bank reports that cumulative capital flight from Kenya is among Africa's highest, following only Liberia, Nigeria and South Africa. Also, many Western investors are taking their business elsewhere. Ten years ago, Japan, one of the world's largest investors in Africa, had thirteen companies doing business in Kenya. Today, only two remain.

16 Thurow, *op. cit.*
17 *Ibid.*

Ending Kenya's serious corruption problem may prove to be the most arduous economic and political challenge. Getting Moi to investigate and apprehend corrupt bureaucrats, one Western diplomat contends, will be "a slow, tough process, and a lot of political oxen will get gored in the process, including some very high up."[18] Increasingly, Moi is lashing out rhetorically against corruption, calling it "unpatriotic behavior" and pledging that those guilty of corruption will be "taken to task."[19] But the first step to closing down corruption is for Moi to relinquish control over the economy, which he has not yet fully done.

4) Privatizing state-owned enterprises

Moi nationalized five ailing banks in February. This bucks the healthy trend of other African governments, like Nigeria and Togo, to privatize state-owned enterprises. Even radicals like Namibia's Sam Nujoma and the African National Congress's Joe Slovo are acknowledging the commercial failure of state-owned enterprises.

When enterprises are owned by government, there exists no incentive for these enterprises to operate efficiently and to respond to market demands. As a result, most of Kenya's 230 state-owned enterprises have been commercial failures. This drains Kenya's treasury, where public-sector borrowing comprises 40 percent of total domestic credit.

The World Bank this February endorsed Kenya's decision to nationalize the banks. A World Bank affiliate, the International Development Association, has made a $25 million loan to Kenya's central bank, which will control the nationalized banks.

This is a serious mistake by the World Bank and contradicts what the World Bank argued in its *World Development Report* last year.[20] It said that banking accountability is a key component to Third World economic development. When banks are owned by governments, there is little incentive for bankers to direct funds to productive enterprises. The World Bank states in its *World Development Report 1989* report: "Wide-ranging intervention in the financial sector must gradually give way to systems that provide services in response to market signals. This, in turn, calls for more competition...."[21]

5) Eliminating price controls and market regulations

Price and market controls also retard economic growth. Prices are set by marketing boards in most of the government-controlled, or formal, agricultural sectors. This discourages farmers from expanding output and drives many into the informal market. The informal market has been growing so

18 *Ibid.*

19 Speech by His Excellency Daniel arap Moi, on the 26th anniversary of Jamhuri Day, December 12, 1989.

20 *World Development Report 1989, op.cit.*

21 *Ibid*, p. 103.

rapidly that it created new jobs at a rate of 11 percent in 1988, compared to 5.4 percent in the legal market.

Some progress toward the elimination of price controls has been made. Under pressure from such organizations as the Kenya Association of Manufacturers (KAM), which contends that price controls disrupt production and decrease export competitiveness, the Kenyan government has eliminated price controls on 76 products since last April. But prices remain controlled on eighteen major products, including most of the industrial sector.

THREATS TO KENYA'S SECURITY

Kenya's security problems are not as severe as those facing its economy. Nonetheless, Kenya finds itself surrounded by potentially threatening and heavily-armed regimes. Ugandan leader Yoweri Museveni, who is advised by Libyan military officers, has been stationing thousands of troops on Kenya's border since December 1987. His aim apparently is to intimidate and destabilize Kenya. Museveni and Libyan Dictator Muammar Qadhafi reportedly support *Mwakenya*, a Kenyan internal opposition movement formed in the 1980s.

Kenya also borders Ethiopia, which enjoys extensive military support from the Soviet Union and Cuba, receiving over $7 billion in military assistance for weapons and supplies since 1977. Though Kenya has been at peace with Ethiopia, Mengistu Haile Mariam has attempted to destabilize the region with military force, primarily through support of the Somali National Movement in Somalia and the Sudanese People's Liberation Army in Sudan.[22] Meanwhile, Kenyan relations with Somalia, Kenya's other northern neighbor, are tense because of concern about Somalia's substantial military power and the threat Moi believes it presents to Kenyan security.

Aid from the U.S. In recognition of Kenya's importance in East Africa, and in exchange for Kenya's strategic cooperation with the U.S., Washington sent Kenya $61.4 million in economic aid and $15 million in military aid last year. This made Kenya the second-largest Sub-Saharan African recipient of U.S. economic aid. Since Kenyan independence, U.S. aid to Kenya has totalled $1.14 billion.[23]

During Kenya's drought in 1984, the U.S. gave Kenya $111 million in economic assistance. As the drought waned, U.S. economic aid was cut to $53 million in 1986. Kenya then requested an increase, which has been refused primarily because of cutbacks in U.S. assistance to Africa. Last year's $61.4 million in economic assistance was used for birth control, financing of com-

22 For a fuller discussion of Soviet involvement in Ethiopia and Mengistu's aggressiveness in the Horn of Africa, see Johns, "A U.S. Strategy to Foster Human Rights in Ethiopia," *op. cit.*, pp. 5-10.
23 U.S Agency for International Development source.

mercial credit, fertilizer, and agricultural management training and education.[24]

U.S. military assistance to Kenya began in 1976 when the Ford Administration sent Kenya a squadron of F-5E *Tiger II* warplanes. Washington then was extremely worried about the Soviet military buildup of neighboring Ethiopia and Somalia. Though U.S. military assistance to Kenya has fallen from $22 million in 1980 to last year's $15 million, this continues to represent 60 percent of the total U.S. security budget for Sub-Saharan Africa.

MOI'S RULE

Since becoming president in 1978, Daniel arap Moi has given Kenya something unknown to almost all of the rest of black Africa: political stability. The trouble is that this has been achieved at the expense of political pluralism and democracy. Moi rules through a one party state that allows no true elections and he sometimes intimidates his political opponents. But unlike many African nations, Moi has kept tribal factionalism from breaking out into violence. With the exception of an unsuccessful August 1982 coup attempt against Moi launched by elements of the Kenyan air force, Kenya has been at peace.

Moi is recognized in the Organization of African Unity (OAU) as one of the continent's "senior statesmen," and his experience and credibility are often sought to settle armed conflicts in Africa. As chairman of the Organization of African Unity (OAU) from 1981 to 1983, Moi worked to resolve conflicts in Chad and Sudan. Recently, both African governments and rebel movements in Ethiopia, Mozambique, and Sudan have called on Moi to help resolve long-standing civil wars in these respective countries.

Wide-Ranging Political Debate. Though a one-party state, Kenya under Moi permits a greater degree of political freedom and greater respect for human rights than do most African nations. In neighboring Ethiopia, Somalia and Sudan, for instance, human rights are abused more than in Kenya. Unlike Ethiopia and Somalia, Kenya allows some public debate over the country's political future. And within Kenya's sole political party there are wide-ranging debate and ideologies.

International human rights groups such as the Lawyers Committee on Human Rights and others have been permitted to visit Kenya to investigate charges of human rights abuses. When a delegation from the Robert F. Kennedy Memorial Center visited Kenya in March, for instance, "the group was able to move about freely in Kenya to speak to human rights advocates," ac-

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24 U.S. Agency for International Development source.

cording to the State Department's most recent annual report on human rights.[25] Still, adds the report, "human rights continue to be significantly restricted in Kenya, and in 1989 there was further erosion in the respect for civil liberties and political rights."[26] Other human rights organizations such as Africa Watch contend that Moi has cracked down on press freedoms over the past two years.[27]

The international human rights group Amnesty International charged in November 1988 that Kenyan political detainees have been tortured.[28]

Answering Critics. The Kenyan government responds that these accusations are exaggerations. Charges of torture by Kenyan police have been habitually investigated by the government, and within the past two years, the government has charged and convicted nine Kenyan police officers for torturing detainees and issued them prison terms.

Moi allows an independent legislature to exist, though Kenya's voting system, called "queueing," denies Kenyans the right to a secret ballot in the primary voting. Under the queueing system, voters must queue for up to six hours behind a picture of the candidate for which they wish to vote. Queueing obviously intimidates voters and invites retribution against Kenyans who support losing candidates. Though queueing does not exist in general elections, it remains for primary elections, which in a one-party state are by far the most important balloting.

AN AMERICAN POLICY TOWARD KENYA

In formulating U.S. policy toward Kenya, the Bush Administration should keep two points in mind:

1) Kenya is one of America's few allies in black Africa, and this alliance needs to be protected and strengthened. A strong alliance with Kenya ensures U.S. military access to the region and gives Washington some economic and political influence in East Africa.

2) Kenya is a relative success story in East Africa. Kenya's peaceful political environment and stable economy are rare in a region ravaged by brutal dictatorships, civil wars and famine. Moi, though deserving criticism for many things, still has proved his interest in fostering peace and stability in the Horn of Africa. Kenya's economy, though still stifled by extensive government regulation and corruption, is in far better shape than that of Ethiopia, Sudan, Tanzania, or Uganda. The Bush Administration should highlight these achievements when developing policy toward East Africa, and remain

25 *Country Reports on Human Rights Practices for 1989*: Kenya, *op. cit.*, pp. 168-169.
26 *Ibid*, p. 159.
27 *Kenya: Suppression of Press Freedom* (Washington, D.C.: Africa Watch, December 6, 1989).
28 *Kenya Human Rights: An Update* (New York: Amnesty International, November 1988).

engaged in Kenya in order to encourage Moi to nudge Kenya toward political freedom and additional free market reforms.

To maintain a strong U.S.-Kenyan relationship, and to help foster economic and political freedom in Kenya, the Bush Administration should:

♦ ♦ **Ensure continued American access to the Kenyan air and naval facility at Mombasa.** This base on Kenya's Indian Ocean coast is an important docking and refueling facility for American warships. The U.S. thus should seek to renew the agreement when it comes up for renegotiation this year. Mombasa also offers U.S. warships and warplanes a launching ground for maneuvers in the Indian Ocean and surrounding areas, which is important in maintaining the free flow of international commerce and in responding to any potential crisis in the region.

♦ ♦ **Invite Moi to pay an official visit to Washington as soon as possible.** Bush hosted Zaire's President Mobutu Sese Seko last June, Congo's President Denis Sassou-Nguesso this February, and Mozambique's President Joaquim Chissano this March. He has had no other state visits from African heads of state. He thus should invite Moi to Washington in recognition of Kenya's importance to U.S. strategic and political interests and to strengthen the U.S.-Kenyan political, strategic, and trade relationship.

♦ ♦ **Encourage free market reform in Kenya. The Kenyan economy remains seriously hampered by government control.** The Bush Administration should urge Kenya to introduce free market reforms that would privatize state-run agriculture, banking, and other industries, and would end price controls and marketing boards. Reducing government's involvement in the economy also would decrease Kenya's corruption problem. Kenya in March 1989 did simplify its import licensing procedure for foreign investment and soon Kenya is expected to establish "export zones" in Mombasa and Nairobi, where imports and exports enter and exit Kenya with minimal regulation.

♦ ♦ **Assist financially, through the National Endowment for Democracy (NED), Kenyan organizations supporting democratic and free market values.** The NED is a Washington-based, non-partisan organization, funded by the U.S. government, that assists democratic organizations abroad. No Kenyan institutions have yet applied to NED for assistance; but the U.S. embassy in Nairobi should identify groups that would merit U.S. support, and urge them to apply for NED assistance. One qualifying organization would be the Kenya National Chamber of Commerce and Industry, which represents Kenyan businesses and is a strong supporter of free market reform. By strengthening this and other Kenyan organizations that support economic and political freedom, Washington can spur the growth of democracy and a free market economy in Kenya.

♦ ♦ **Continue military assistance to Kenya.** U.S. military assistance to Kenya this year is only $15 million, most of which is used to help maintain Kenya's air forces. This is important for Kenya's defense against Kenya's heavily-armed neighbors. To assist Kenya in defending itself from these threats, U.S. military assistance to Kenya should be sustained at current levels.

♦ ♦ **Organize an American-Kenyan business council to identify and resolve problems of U.S. investors in Kenya.** One of the most serious challenges to Kenya's economic stability is the recent trend of American disinvestment from Kenya. Many Western investors, citing stifling economic regulation and corruption, are removing their investments from Kenya. To address this problem, a formal body could be established to conduct a dialogue between American investors and the Kenyan authorities. Such councils already exist between U.S. investors and foreign governments in Nigeria and Turkey. They resolve differences between U.S. investors and the governments over investment codes, taxes, dividends, employment codes and other investment issues.

CONCLUSION

Kenya is an island of stability and potential in what is otherwise a disastrous region of the world. The country's support for American strategic and policy objectives in East Africa is important to the U.S.; it needs to be preserved. By maintaining American military access to the sea port of Mombasa, and continuing American military assistance to Kenya, the U.S. can ensure continued strategic cooperation with Kenya. By advising and encouraging Kenya to remove stifling economic regulations, such as marketing boards and price controls, and encouraging it to end corruption, the U.S. can assist Kenya in developing a stronger economy.

Taking the Lead. A stable, prosperous and free Kenya will benefit not only U.S.-Kenyan relations, but all of East Africa. The Bush Administration should encourage Kenyan President Moi to correct human rights abuses, deregulate and privatize the heavily state-dominated economy, and nudge his country toward multi-party democracy. If successful with democratic and free market reforms, Kenya could set an example for other poor East African countries to follow. But Washington can influence Moi only if the U.S. remains engaged in Kenya. For this reason, Washington should continue economic and military assistance to Nairobi.

The collapse of communism in Eastern Europe, Nicaragua, and elsewhere leaves America as the world's sole superpower. Now the U.S. can take a lead in Africa to foster economic and political freedom. Foremost among Washington's African allies is Kenya. Maintaining and strengthening this relationship will be a springboard for bringing freedom, democracy and peace to the great continent of Africa.

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