Cabo Verde: Background and U.S. Relations

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February 6, 2017
Summary

Cabo Verde, a small island nation of just over half a million people located off the west coast of Africa, is of strategic significance to the United States because its geographic location has made the country a transshipment point for Latin American cocaine bound for Europe and a key refueling stop-over for trans-Atlantic air traffic between Africa and the United States.

The country is also a long-standing U.S. ally in Africa that the State Department has cited as a model of democratic governance in the region since its transition from single party rule to a multi-party political system in 1991. U.S. bilateral aid to Cabo Verde is limited, and centers on military professionalization, counternarcotics efforts, and development projects supported by the Millennium Challenge Corporation (MCC).
Contents

Introduction .................................................................................................................. 1
Background .................................................................................................................. 1
Politics ......................................................................................................................... 2
Rule of Law .................................................................................................................. 4
Economy ....................................................................................................................... 4
International Issues ................................................................................................... 6
U.S. Relations and Assistance ..................................................................................... 6
  Millennium Challenge Corporation (MCC) ................................................................. 7
  Trade and Commerce ............................................................................................... 8
  Security Cooperation ............................................................................................... 8

Contacts

Author Contact Information ....................................................................................... 10
Introduction

Cabo Verde is a small island nation that has historical ties to the United States. Contemporary U.S.-Cabo Verden relations are predicated upon Cabo Verde’s status as “one of Africa’s success stories and an important U.S. partner in West Africa,” and as an African “model of democratic governance” with high per capita income levels, a high literacy rate, and positive social indicators. Cabo Verde is of strategic significance because its geographic location has made the country a transshipment point for Latin American cocaine bound for Europe for more than two decades. Its location has also made it a key refueling stop-over for trans-Atlantic air traffic between Africa and the United States.

U.S.-Cabo Verden cooperation focuses on counternarcotics efforts and related military professionalization under the State Department’s International Military Education and Training (IMET) program, and development projects supported by the Millennium Challenge Corporation (MCC). There is also an Open Skies commercial aviation and flight safety and security agreement, and Cabo Verde is eligible for tariff preferences under the African Growth and Opportunity Act (AGOA), although its use of these benefits is very minimal, as is the total value of its trade with the United States. Congressional activity centering on Cabo Verde generally centers on high-level meetings with Cabo Verden officials during periodic congressional delegations to the country.

Background

Cabo Verde, a small volcanic island archipelago located off the coast of Senegal in West Africa, is slightly larger than Rhode Island. Most of the islands are wind-eroded, mountainous, and arid, and 10% of land is arable. A lack of rain causes recurrent water shortages, which pose a challenge for food production. Cabo Verde has few natural resources, apart from a large maritime zone and its beaches, which are a tourism destination.

Cabo Verde was uninhabited when it was discovered in the 15th century by Portugal, which then colonized the island and later made it a slave trading center. It remained a Portuguese colony until 1975. Most Cabo Verdeans are of mixed Portuguese and African descent and speak a Portuguese-African Creole.

Cabo Verde’s location in an 18th and 19th-century whaling zone made it a key ship re-supply and sailor recruiting center for U.S. vessels and gave rise to a long-standing tradition of emigration to the United States and friendly U.S. ties, which both endure. There is a large Cabo Verden population in New England.

Cabo Verde’s political system takes into account its large expatriate population, whose remittances are a key source of private investment and hard currency. Expatriates may vote in national elections, although in presidential elections their collective vote may constitute no more than a fifth of all votes cast within the national territory. Foreign nationals resident in Cabo Verde are eligible to vote in local elections.

1 State Department, Congressional Budget Justification for FY2017, Appendix 2. “Cape Verde” is an English language term for the country, but in 2013, its government requested that foreign governments refer to the country as Cabo Verde, its Portuguese name. This change was adopted by the U.S. Board on Geographic Names.
Politics

Formerly a one-party state ruled by the former independence movement, the socialist-oriented African Party for the Independence of Cabo Verde (PAICV), Cabo Verde became a democracy in 1991. This followed increasing demands for a multi-party political system by civil society activists and the Movement for Democracy (MPD), which had recently been created. In response...
to this pressure, in 1991, the PAICV government organized multi-party elections, in which the MPD won a large parliamentary majority, the presidency, and multiple municipal elections.\footnote{PAICV and MPD are the two parties’ Portuguese language acronyms, by which they are commonly known. PAICV stands for Partido Africano da Independência de Cabo Verde, while MPD (sometimes written as MpD, stands for Movimento para Democracia.}

Seven political parties have run in legislative polls since 1993, but the PAICV and the MPD strongly dominate politics. Expatriate voters in Africa, the Americas, and Europe elect six parliamentarians (two from each region) of the 72-member legislature.

Cabo Verde’s transition to democracy is widely seen as successful and enduring, and as having engendered a generally consensus-based polity. While in power in the 1990s, the MPD pursued an economic reform-focused agenda, seeking to privatize state-owned firms, reform public spending, alleviate poverty, boost social services, and promote exports. It also sought to promote political pluralism and increase and diversify Cabo Verde’s trade and development relations with other countries. This policy agenda continues to define the MPD and is broadly shared with the PAICV, although the political and policy rhetoric of the latter tends to emphasize a more social democratic agenda.

In the most recent parliamentary elections, in March 2016, the MPD won 40 seats, the PAICV 29, and the small Independent and Democratic Cabo Verdean Union three. The MPD victory ended 15 consecutive years of PAICV parliamentary majorities. In April, the parliament selected MPD leader Ulisses Correia e Silva to serve as Prime Minister. The new government has prioritized economic expansion and job growth; poverty reduction; infrastructure and business environment enhancements; expanded foreign direct investment (FDI); crime reduction measures; and national security, in part by countering drug trafficking.\footnote{Economist Intelligence Unit (EIU), “MPD wins parliamentary poll,” March 30, 2016, and “Parliament adopts draft 2017 budget,” December 1, 2016.}

In October 2016, Cabo Verde held a presidential election in which incumbent President Jorge Carlos Fonseca, of the MPD, won reelection. Fonseca, a former foreign minister and an attorney, garnered 74% of the vote, besting two independents; no PAICV-affiliated candidate ran. Voter turnout was low, at 35% (compared to 65% in the 2016 parliamentary elections and 59% in the 2011 presidential first round vote), perhaps because Fonseca faced no major opponent.\footnote{IFES, Election Guide database, various entries for Cabo Verde.}

Presidential elections are significant in Cabo Verde because while the prime minister leads the government, the president wields appointment and legislative veto powers, commands the armed forces, convenes or leads various consultative bodies, and represents the Republic domestically and abroad as chief of state. Presidential elections are usually as closely contested as legislative ones. Fonseca first won the presidency in 2011 in a run-off following a four-candidate first-round...
vote, in which then-incumbent president Pedro Pires was ineligible to participate due to term limits.

Rule of Law

While Cabo Verde faces some rule of law and human rights challenges, such as abuse of prisoners, trial delays, violence against women, and child labor, its record is far better than that of most other African countries. Civil rights are widely respected, and Transparency International rated it as the second least corrupt sub-Saharan Africa country in its global Corruption Perceptions Index 2015.

Economy

Cabo Verde is classified as a lower-middle-income economy (one with a Gross National Income (GNI) of between $1,026 and $4,035), based on its per capita GNI of $3,280 (2015). The country ranks within the medium tier of human development under the annual United Nations (U.N.) Human Development Index (HDI), at 122 out of 188 countries assessed in 2015, higher than is common in much of sub-Saharan Africa. The Heritage Foundation ranked Cabo Verde as the third freest African economy (after Mauritius and Botswana, and the 57th freest globally in its 2016 Index of Economic Freedom. In 2012, the Cabo Verdean government reported that it had met all of the U.N. Millennium Development Goals. It recorded particular success in its implementation of health, primary education, gender equality, and poverty eradication efforts. Cabo Verde has a high literacy rate (87% in 2015) and generally high social services and health indicators, although they are lower in rural areas, and access to economic opportunities is unequal, with women and youth often excluded.

Weak economic growth in Europe—a major trading partner and source of investment, aid, and tourist arrivals—contributed to a sluggish economy in recent years, but despite this, in 2016 Cabo Verdean growth recovered substantially on the back of resurgent tourism and foreign investment. Gross Domestic Product (GDP) growth averaged 0.93% in 2012 and 2013, grew to an average of 1.66% in 2014 and 2015, and jumped to 3.63% in 2016, according to the International Monetary Fund (IMF), which projects growth of 4.02% in 2017. Unemployment has dropped to an estimated 9%, from a high of 16.8% in 2012, but remains significantly higher among youth. Economic discontent is viewed as having contributed to the PAICV’s March 2016 election defeat, and remains a key challenge for the current MPD government.

Cabo Verde is continuing efforts to diversify its aid and trade partnerships to lessen its dependence on Europe, and has sought to strengthen relationships with countries such as China, Brazil, and Angola. Cabo Verde imports about 80% of its grain supply, and has been recovering

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5 Sources for this section include the World Bank, World Development Indicators (WDI) and IMF World Economic Outlook (October 2016) databases; World Bank, Cabo Verde: Country Brief; EIU country reports; Cabo Verde 2015 in AfricanEconomicOutlook.org, a multilateral financial institution data site; and other multilateral agency information sources.


7 IMF, World Economic Outlook Database, op. cit.

from a drought-stricken harvest in 2014-2015 that saw domestic maize production fall by roughly 82% from the previous year, resulting in the poorest harvest on record. The new government is prioritizing agricultural growth.9 Poverty has decreased since the 1990s, but remains a challenge. The share of Cabo Verdeans living in poverty declined from 37% in 2002 to 27% in 2010 (more recent data is lacking), and extreme poverty rates have dropped as well.10 Poverty is concentrated in rural areas and some high density urban areas.

**Recent Investment and Growth Trends**

The economy grew rapidly in the early 1990s after a period of stagnation and state-centered development. Foreign direct investment (FDI) is highly variable by year, but generally grew in the 2000s, reaching a record $211 million in 2011. It has since declined, however; it stood at $75 million in 2015.11 Expatriate remittances, notably from the Cabo Verdean communities in the United States and Portugal, are an important source of income and investment. Record expatriate remittance inflows were recorded in 2014 ($197 million, worth about 10.5% of total GDP) and 2015 ($201 million, 12.6% of the value of GDP).12 Portugal, Cabo Verde’s former colonial ruler, is its primary trading partner, and the Cabo Verde escudo is pegged to the Euro. Spain is another key trade partner and source of FDI. Various European countries make up the bulk of the balance in each category. Cabo Verde joined the World Trade Organization in 2008 and has good relations with and receives concessional credit and technical assistance from the World Bank and the IMF. U.N. agencies also carry out diverse development and occasional aid activities in Cabo Verde. In February 2015, the U.N. Food and Agriculture Organization (FAO) agreed to provide drought assistance to Cabo Verde in the form of crop seeds, animal feed, and irrigation equipment.13

Key economic sectors include services (tourism, transportation, and communications), light manufacturing, and fishing. The services sector contributed approximately 75% of GDP in 2015, while industry was the source of about 17% and agriculture about 8%.14 A number of foreign firms have been attracted to Cabo Verde by opportunities to capitalize on its U.S. and European trade preferences. Cabo Verde has a large maritime exclusive economic zone and extensive fish stocks, and fishing is a growing source of foreign exchange. Commercial, mostly foreign fishing operations take the bulk of the catch, though there is also a local artisanal fishing sector. Transportation is another growth industry; Cabo Verde has upgraded its air links and airport capacity, in part with assistance from the U.S. Trade and Development Agency. It is also investing in road and port upgrades. Cabo Verde is strategically located between Africa, Europe, and the Americas, and ships and airlines use it as a refueling stop. Its port facilities have been modernized and expanded, and the country has pursued joint ventures with several large cargo-ship construction and leasing firms. Cabo Verde has a national passenger air carrier, Transportes Aereos de Cabo Verde (TACV), but it has suffered losses for years. The prior government had endeavored to sell or privatize it, but the airline’s weak performance has made it an unattractive investment target. The company remains important in facilitating tourism, a key source of export earnings, and the Correia e Silva government has provided it with a $1 million loan.

Tourism has grown rapidly, from 150,000 arrivals in 2003 to a record 569,000 in 2015. Despite fears of a slowdown in 2016 linked, in part, to reported cases of the Zika virus in the country and an ensuing travel alert issued by the Centers for Disease Control and Prevention, tourism remained during the year, powering the country’s growth spurt. Analysts warn that tourism may fall in the short term, however, amid ongoing sluggishness in Europe and a projected slowdown in the United Kingdom, the largest source of tourists to Cabo Verde.15

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9 The Economist, “Cabo Verde: Cereal crop to be the lowest on record in 2014/2015,” April 7, 2015.
11 “Foreign direct investment, net inflows (BoP, current US$),” WDI.
International Issues

In 2007, the European Union (EU) established a “Special Partnership” with Cabo Verde. It provides for close bilateral policy development and coordination, with a focus on trade, investment, and shared efforts to stem illicit migration, drug-trafficking, and organized crime. Cabo Verde is also pursuing deeper bilateral and investment ties with the United States, individual European states, and Portuguese-speaking countries—notably Angola, which in early 2014 agreed to provide Cabo Verde with $13 million in aid focused on infrastructure enhancements. Cabo Verde’s main transnational security challenges relate to the threat of illicit narcotics transshipment through its territory. A related need is to protect its large maritime territory and strengthen its criminal justice system capacities.

Cabo Verde has a small national military of about 1,000 personnel, including a small coast guard. Cabo Verde is an active member of the Economic Community of West African States (ECOWAS). Former President Pires—who won the 2011 Mo Ibrahim Foundation Prize for “transforming Cabo Verde into a model of democracy, stability and increased prosperity” —was a member of an ECOWAS mediation team that sought to resolve the 2010-2011 political crisis in Côte d’Ivoire. Cabo Verde periodically hosts ECOWAS fora, such as a 2008 high-level ECOWAS conference on drug trafficking in West Africa and a 2014 ECOWAS conference on small arms and light weapons.

U.S. Relations and Assistance

U.S.-Cabo Verdean relations have traditionally been friendly, in part due to the relationship between Cabo Verde and the extensive Cabo Verdan-American and diaspora community in the United States. President Fonseca was a participant in the 2014 U.S.-Africa Leaders Summit in Washington, D.C., and in 2013, former President Barack Obama met with former Prime Minister José Maria Neves and three other African leaders at the White House to discuss good governance, transparency, and economic growth and development issues. Former First Lady Michelle Obama also met with her counterpart, Ligia Fonseca, during a stop-over in Cabo Verde while returning from a 2016 trip to several African countries. There is also youth education cooperation: Cabo Verde is a participant in the Young African Leaders Initiative (YALI).

Whether the Administration of President Donald Trump or the 115th Congress will pursue any changes in bilateral relations remains to be seen. Congressional activity relating to Cabo Verde is generally limited to periodic congressional delegations to Cabo Verde involving meetings between Members and high-level Cabo Verdan officials. According to the Congress.gov

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17 The Ibrahim Prize for Achievement in African Leadership is awarded to former democratically-elected African heads of state who dedicate their tenures to sustainable socio-economic development, demonstrate excellence in leadership, and depart office in accordance with constitutional requirements. See Mo Ibrahim Foundation, http://www.moibrahimfoundation.org/prize.

18 YALI, a presidential initiative begun in 2010, fosters the development of emergent young African business, civic, and public management leaders through exchange-based fellowships and follow-up support. The State Department primarily administers the U.S.-based portion, while USAID implements most Africa-based activities.

database, Congress has never considered or enacted legislation centering on Cabo Verde, although the country has periodically been referenced in broader foreign operations authorization or appropriation bills or acts.

Cabo Verde receives Millennium Challenge Corporation (MCC)-administered development assistance, as well as limited U.S. security aid, and engages in bilateral security cooperation with the United States and European partners centering on counternarcotics and related maritime security efforts. The U.S. Fish and Wildlife Service (FWS) has also funded small projects supporting marine turtle conservation valued at a total of $226,000 in FY2015 and $208,000 in FY2014. Due largely to its relatively positive socio-economic record, however, Cabo Verde—which once regularly received U.S. food aid and periodic other support—has not received additional bilateral assistance from the U.S. Agency for International Development (USAID) or the State Department in recent years. In FY2013, the Peace Corps closed its Cabo Verde country program, which had operated since 1988; it was one of eight county programs closed that year based on an agency global portfolio review.

While traditional sources of bilateral aid have fallen in recent years, Cabo Verde has received substantial U.S. development assistance administered under two MCC Compacts, a form of assistance awarded to selected countries that meet a range of governance, economic, and rights performance criteria.

### Millennium Challenge Corporation (MCC)

In 2010 Cabo Verde completed a $110 million five-year MCC Compact (Compact I), and in 2012 it signed a second Compact with the MCC, becoming the first country to sign a second Compact.

Cabo Verde’s second Compact is slated to be completed in late 2017. The bulk of the $66.2 million agreement supports a $41 million set of water utility-focused development projects. They are designed to support financially sustainable, effective public water and sanitation delivery services. An additional $17.3 million component supports the reform and strengthening of the legal, procedural, and technical aspects of Cabo Verde’s land registration system. The goal is to reduce the costs and time necessary to register or transfer property rights, and generally to make property ownership more secure. The project prioritizes such efforts on selected islands seen as having a high tourism-sector investment potential. The balance of the Compact supports program costs and monitoring and evaluation.

Cabo Verde’s first MCC Compact (2005-2010) sought to help Cabo Verde transition from being aid-dependent to pursuing a sustainable, private sector-led growth agenda. It focused on improving the investment climate; financial sector reforms; port, road, and bridge upgrades; watershed management; agribusiness development; and fiscal improvements.

Government Accountability Office (GAO) assessments have found that while MCC Compact I projects “met some key original targets and many final targets,” the MCC “altered the scope” of key projects during Compact execution—for instance, when it divided a major port activity into

(...continued)


USAID, Trade Capacity Building database.

On portfolio reviews, see CRS Report RS21168, The Peace Corps: Current Issues, by Curt Tarnoff
two phases due to inaccurate initial planning assumptions and cost estimates. In addition, the planned $5 million establishment of a credit bureau was dramatically scaled back, to $400,000, due to discord among the MCC, the World Bank, and the government regarding what sectors should receive investment. The GAO also found that the government of Cabo Verde “may have difficulty maintaining the infrastructure projects in the long term due to lack of funding, among other challenges,” including a plan to privatize port operations and road maintenance.\(^22\)

**Trade and Commerce**

The United States and Cabo Verde have a bilateral Open Skies aviation services agreement, which provides for a market-based system of direct flights between the two countries while seeking to guarantee flight safety and security.\(^23\) Some airlines also use Cabo Verde as a refueling stop during flights between the United States and Africa.

Cabo Verde is eligible for African Growth and Opportunity Act (AGOA) tariff preferences, but is a very minor U.S. trade partner. Its exports under AGOA have generally been paltry (e.g., no more than a few hundred thousand dollars annually) and made up a small portion of total exports to the United States, but jumped to more than half a million dollars in 2015, when AGOA exports grew to nearly 24% of all such exports.\(^24\) Recent rises in AGOA benefits have largely been attributable to exports of tuna and other types of fish.

While positive, the impact of this development is limited, given the low value of both AGOA and overall exports to the United States. Total Cabo Verdean exports to the United States from 2011 through 2015 averaged $2.3 million a year, compared to $191 million in exports to all countries.\(^25\) From 2011 through 2015, U.S. exports to Cabo Verde—which are dominated by meat products—were far higher, averaging $8.6 million a year, but still minor in global comparison.\(^26\)

**Security Cooperation**

Narcotics trafficking poses an increasing threat in Cabo Verde and was reportedly a factor in several shootings in 2014, including the September killing of the mother of a top police investigator and a non-fatal attack on Prime Minister Neves’s son late in the year. The killings were linked to a multi-year drug investigation and reportedly represented an attempt by drug traffickers to intimidate state authorities.\(^27\)

According to the State Department’s FY2017 Congressional Budget Justification (CBJ) for Foreign Operations, Cabo Verde’s “strategic location” has placed the country “increasingly at the crossroads of the transatlantic narcotics trade,” principally focused on cocaine destined for

\(^{22}\) GAO, *Millennium Challenge Corporation: Compacts in Cape Verde and Honduras Achieved Reduced Targets*, GAO-11-728, July 2011; see also GAO, *Millennium Challenge Corporation: Results of Transportation Infrastructure Projects in Seven Countries*, GAO-12-631, September 12, 2012.

\(^{23}\) See State Department, *Open Skies Agreements*, http://www.state.gov/e/eb/tra/ata.

\(^{24}\) U.S. International Trade Commission (USITC), *Trade DataWeb*. Full 2016 data were not available as of February 2, 2017.

\(^{25}\) USITC, *Trade DataWeb*; and World Bank, "Goods exports (BoP, current US$)," World Development Indicators.

\(^{26}\) U.S. Census trade data.

\(^{27}\) Limited violent general crime is also a problem. An April 2016 fatal shooting of eleven people, including two Spaniards, at a military barracks was initially postulated to have been drug-related, but was later determined to have been the act of a disgruntled soldier. David Lewis and Julio Rodrigues, “Tiny Cape Verde picks big fight with drug gangs,” Reuters, November 30, 2015; and Gustavo Plácido Dos Santos, *Cape Verde and Drug Trafficking: A Major Challenge to the Rule of Law*, IPRIS Viewpoints, November 2014.
Europe from South America. The CBJ states that “maritime security, domain awareness, and border control are among the highest priorities for the United States” in Cabo Verde. Programs that support these ends, in particular countering the use of Cabo Verde as a drug transshipment point, include an International Military Education and Training (IMET) professionalization program and occasional Department of Defense (DOD)-funded support. In past years, the State Department provided bilateral law enforcement and prosecutorial aid to help Cabo Verdean authorities to better investigate and prosecute drug cases and undertake counternarcotics-related anti-money laundering efforts. IMET was funded at an estimated $144,000 in FY2015, with $150,000 estimated for FY2016 and requested for FY2017, respectively.

Cabo Verde has received limited assistance under the West Africa Regional Security Initiative (WARSi), a State Department regional program that seeks to help countries promote adherence to the rule of law, improve criminal justice systems, combat transnational organized crime—including drug trafficking—and promote stability, among other related goals.

Cabo Verde receives several hundreds of thousands of dollars in DOD non-lethal, interdiction-related counternarcotics equipment assistance. Cabo Verde also engages in other cooperation efforts with DOD’s Africa Command (AFRICOM). It has hosted multinational military exercises, such as Saharan Express, which focuses on challenges such as maritime security, drug interdiction, and anti-arms proliferation training and is supported by AFRICOM’s U.S. Navy Africa Partnership Station (APS) West. The most recent Saharan Express took place off Cabo Verdean and Senegalese waters in April 2015. APS is a regional U.S. Navy-led, ship-based, multidisciplinary, inter-agency effort focused on training, capacity-building, humanitarian, and cultural activities.

Cabo Verde routinely receives additional APS and U.S. Coast Guard training visits. In 2010, the Counternarcotics and Maritime Security Interagency Operations Center (COSMAR) was established in Cabo Verde with assistance from DOD and other donors. COSMAR is designed to serve as a multilateral, cross-agency intelligence and operations fusion center. It seeks to leverage joint Cabo Verdean military, police, and intelligence capacities to counter drug trafficking and protect maritime waters and fisheries in cooperation with U.S. military and law enforcement agency efforts. The African Maritime Law Enforcement Partnership (AMLEP)—a U.S. Coast Guard and U.S. Navy APS activity aimed at demonstrating international cooperative interdiction operations and building COSMAR’s applied capacities—has also undertaken cooperation activities in Cabo Verde, and the United States has helped upgrade Cabo Verde’s small patrol boat fleet.


29 As of the date of this report, CRS had requested but not yet received WARSi funding information on program allocations for Cabo Verde. Such country breakouts are not routinely publicly reported.

30 DOD equipment assistance totaled $594,000 in FY2014 and $365,000 in FY2015 (estimate); $360,000 was requested in FY2016. For background, see CRS Report RL34543, International Drug Control Policy: Background and U.S. Responses, by Liana W. Rosen.

31 Under the project, maritime sensory equipment and inter-island military communications system were deployed. The project also aims to integrate a fisheries agency vessel monitoring system, a judicial police database, ship movement analysis, and a vessel tracking system. Dos Santos, Cape Verde and Drug Trafficking..., op cit., among others.

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