

THE PHANTASM OF GLOBALISED AFRICA: DISCERNING THE IMAGERY - A SOUTH AFRICA PERSPECTIVE

Adewale R. Aregbeshola

Patrick N. Palmer

Department of Business Management,
College of Economics and Management Sciences,
University of South Africa

ABSTRACT:

Globalisation is characterised by divergent interests and opinions. The term has widely been used, in recent times, to exhibit affluence of civilisation and erudition. This explains why a single Google search under the keyword "globalisation" yields almost 2 million hits within 0.07 seconds.

Globalisation is widely seen as a connecting rod between trade and economic growth through the spillover and multiplier effects of its agencies (foreign direct investments and portfolio investments). As a process that facilitates global integration of economies and societies, its impacts over the past fifty years has been amazing.

It has been widely praised for catalysing the spate of current unprecedented levels of economic prosperity, reduction in the level and prevalence of poverty, and improved quality of life, and life expectancy. Conversely, it has also generated a lot of criticism, which have emanated from its purported erosion of national sovereignty, disregard for labour and environmental rights, exacerbation of income and wealth gaps between and within nations, and Americanisation of the world over. This has been worsened by the prejudiced nature of the Institutions of Washington consensus that pioneered and nurtures it, casting doubt on the sustenance of such hegemony.

Introduction

Recent controversies over the relevance of globalisation to the world economies at large, and its incessant crucifixion by the antagonists, emanate from the felt and anticipated pains and gains from the conundrum. It should be noted that globalisation is not a new discovery or one of the recent 'magics' of science, rather, it has been catalysed by these supernatural discoveries (ICT and speedy but cheap transport system).

The first wave of the praxis of this concept began in 1870 and lasted till 1914, while the second wave (we are currently experiencing) took its course from the period of the Second World War (Mishkin, 2007). Considering the

unprecedented level of recognition given to the concept, its diverse use and understanding, and the diverse microscope that scrutinises its anatomy, it is little surprise that it has transformed into an ideology (Aregbeshola, 2007). In essence, globalisation is seen through divergent lenses, felt by different people in different ways, at different levels of magnitude, and with varying causes and consequences.

Given the above background, the complexity of the term is outstanding, and as such, its definition. While some authors (Friedrichs and Friedrichs, 2002) see the application of the concept from criminology perspective, Mackenzie (2006:2) deluges its confusion and rides into academic folktales by conjuring

grammatical incantation: "...do we need to argue for the inclusion within criminology, of some forms of currently noncriminal harm to conduct a criminological analysis of the global economy?"

It is no gainsaying that the current debate on globalisation is characterised by an acrimonious dispute between the advocates of moral justice and the protagonists of inequality (Lee and Vivarelli, 2006). While the protagonists of this ideology vulgarly postulate that the rapid increase in trade and the concomitant economic growth has reduced the level and prevalence of poverty, improved quality of life, and life expectancy, not to mention improved democratic nations and societies, its antagonists see it differently.

It has been argued that trade liberalisation have furthered income and wealth inequality between and among nations, have transferred the mantle of national governance to the capitalist, and have exacerbated environmental degradation and labour exploitation (MacEwan, 1990). The process has also been criticised for its tendencies to kill local vulnerable sectors through the aggressive stance of foreign MNCs, thereby furthering the crowd-out argument – which exacerbates unemployment, thereby worsening the prevalence and level of poverty (Henriot, 1998). While the positive effects of globalisation remain 'elusive' to Africa, its negative impacts are prominent on the continent (among the other least developed countries - LDCs).

Conceptual overview

To fully understand the dynamics of globalisation as a concept and the equivocation that surrounds its relevance, it is essential to establish a yardstick upon which its scope could be measured, thereby establishing a benchmark for its adjudication. In an attempt to do so, some definitions of this hydra-headed concept will be considered.

According to Johnson and Turner (2004:4), quoting the IMF's World Economic Outlook, these authors define globalisation as 'the growing interdependence of countries worldwide through the increasing volume and variety of cross-border transactions in goods and services and of international capital flows, and also through the more rapid and widespread diffusion of technology.' In line with this definition, globalisation is seen as a by-product of increase in:

- International trade in both goods and services,
- Increase in international capital flow, and
- Increase in technological advancement and its widespread diffusion.

This definition also highlights the fact that globalisation covers every instrument of trade and investment, as well as the mechanisms that support their realism. With the easy flow of goods and services, the proficient allocation of relatively scarce global resources is achievable. Consequently, this process allows global manufacturers to seek and exploit location specific advantages

across the globe without any perceptible obstruction.

Accordingly, the standard of living of the people is raised as it offers good quality products at lower prices; just as the profit motives of the MNCs are fulfilled – thereby creating more investible capital (Ghauri & Buckley, 2002).

The concept is also seen as the modernity of global interdependency of nations that permeates every human endeavour with various magnitudes, in causes and consequences (Aregbeshola, 2007). This definition is informed by the impact of globalisation on different people at varying degrees. The concept/ideology is felt very greatly, at the global level on education, research, economics, culture, morality, communication, work productivity, and political democracy (Thapisa, 2000); amongst others.

The Washington consensus

As stated earlier, the World War 1 that broke out in 1914 disrupted the global capital flows and international trade between and among nations. The Great Reversal in global economy and the global depression of 1930s gave rise to fascism that culminated in the beginning of the Second World War (Mishkin, 2006; Kindleberger, 1989).

To avoid a repeat of the global economic depression and its associated shortcomings, a conference was held by the 'powerful' world leaders of the time in 1944 at Bretton

Woods, New Hampshire, United States. It was at this conference that the formation of International Trade Organisation (ITO) was suggested (Anderson, 2005; Dormael, 1978). By 1948, an ITO Charter was drawn up along with the General Agreement on Tariffs and Trade (GATT). Unfortunately, ITO failed because the US congress voted against it, but GATT was passed along with UN and its antecedent financial institutions (the World Bank, and the International Monetary Fund) (Diebold, 1952) – GATT was considered to be more favourable to Washington's interest.

Before GATT was transformed into the World Trade Organisation (WTO) at the Uruguay Round in 1994, its 47-year history has been widely praised for a noticeable lower tariffs and improved global trade relations. While GATT employed a rule of negation and consensus, WTO advocated a 10-year gradual trade liberalisation among and between nations (developing nations were allowed a longer and more gradual liberalisation, albeit in principle).

The need for these International Financial Institutions (IFIs) was justified on the grounds of market volatility. The World Bank and the International Monetary Fund were borne out of the aspirations of the world leaders to establish a global financial stability, as an impetus for economic growth. Based on its economic windfall from the Second World War¹, United States was able to negotiate and secure a veto vote (Dormael,

¹ During the war, US experienced trade surplus from its booming exports to the war-torn European countries.

1978). This may be observed as the architect of global inequality.

The relevance of globalisation – the gains

When evaluating the effects of globalisation, it is essential to examine the consequence of the actual increase in the measurable global indicators of this concept namely, trade openness and FDI, rather than the aim or policies that support the process (Lee and Vivarelli, 2006). This said, this presentation will focus on the effects of these variables on the developing world, with a special reference to (South) Africa.

Scenario 1:

Trade openness/ liberalisation (the gains)

Trade openness is one of the cardinal points of GATT, and more recently, the WTO. This is based on the principle that national economies will grow as much as these countries open up their economies to foreign investment and capital. The argument goes further to postulate the price autarky doctrine, in which the investing firm is seen to drive down host nation's commodity prices as a result of efficient allocation of resources and superior operational processes (Rivera-Batiz and Oliva, 2003).

The findings of a research project (Sachs and Warner, 1995) that covered more than 100 countries between 1970 and 1990 reveal that there is a strong relationship between a country's openness to trade and its economic growth. The research also finds a 'strong association' between an economy's openness

and its growth, both within the group of developing and the group of developed countries. On the one hand, the findings indicate that the group of developing countries with open economies grew at 4.49 per cent per year while the closed economies grew at 0.69 per cent per year. On the other hand, the group of developed economies with open economies grew at 2.29 per cent per year while the closed economies grew at 0.74 per cent per year.

A more realistic situation is pertinent to India, which departed from the principle of Swadeshi² in 1990 under the leadership of Narasimha Rao (the then Prime Minister), and recorded a rapid economic expansion at about 6.1% between 1994 and 2004. In 2004, India's export revenue from software services alone was at a record US\$7 billion, from barely US\$500 million in the mid-1990s (Hill, 2007). The same could be said of China, South Korea, Malaysia and other newly industrialised countries (NICs). Evidence abounds on the positive impacts of trade liberalisation on economic growth, and poverty reduction across the globe, but mostly in the western world.

In South Africa, the economy has been growing at the annual rate of about 4-5% annually since 1994.³ South Africa's economy is the largest in Africa. The country contributes about 20 per cent of the total African GDP. It contributes one third of the Sub-Saharan African, and about two-thirds

² The Ghandi's doctrine of self reliance and freedom from foreign economic interference.

³ South Africa was re-admitted into global market in 1994, after a long isolation due to the apartheid regime

of the SADC region's GDP (Wessel, 2007). The twin wings of globalisation (FDI and portfolio investments) have exerted a great influence on the South African economy since her readmission into the global economic community in 1994. The country adopted a series of economic reforms necessary to actively participate in global trade and investment activities as dictated by the Washington consensus- The WTO, The IMF and the World Bank. Prominent among these reforms are its economic liberalisation to foreign competition, constricting fiscal and monetary policies, privatisation of state-owned assets, and the labour market liberalisation. South Africa has been playing by the rules of the new global economy, a situation that has been yielding dividends.

In 2005, South Africa showed an improvement of 15.8 per cent inflow FDI over 2004. The inward stock sharply increased to \$6.4 billion, representing about 21 per cent of the region's total.⁴ This sharp increase was due to a single M&A between ABSA Bank of South Africa and Barclays Bank of England for about \$5 billion. The same capital inflow was recently announced that Industrial & Commercial Bank of China (ICBC), the world's biggest bank by market value, had agreed to buy 20 percent of the South African local bank The Standard Bank for R36.7 billion (BBC News, 2007-10-26). These are indications of 'playing along' with the 'global rules'.

⁴ The United Nations World Investment Report, 2006, page 41

The pains of trade openness/liberalisation

Considering the level of contestations that surround this process (trade openness/liberalisation), it is considered necessary to evaluate the negative impacts of trade liberalisation on the developing world. This does not suggest that it is only the developing world that feel this impact, (especially in Africa), but it is occasioned by the fact that Africa is worst hit by the doctrine of economic liberalisation (Magubane, 2002).

Considering the level of protests and violent demonstrations that have characterised global economic/investment meetings in recent years, it is evident that globalisation has inflicted some people with deadly epidemics, either directly, or indirectly. Ranging from its record at Seattle (United States) in December 1999, proceeding to its first martyr in Genoa (Italy) in 2001, and moving to the most recent (2007) demonstrations at the G8 summit in Heiligendamm (Germany), it is important to realise and accept the fact that globalisation has some very terrible shortcomings.

Trade liberalisation does not impact negatively on all nations equally. Evidence suggests that some developing nations have experienced both growth in exports and employment as a result of globalisation, essentially in the manufacturing sector (Lall, 2004; Spiezia, 2004). These countries are mainly the newly industrialised countries. The ability of these countries to record the said growth had been enhanced

by the organisational settings, quality of labour (skills), technological capability of the host nation firms and their competitiveness – the national absorptive capacities or social capabilities (Abramovitz, 1989; Perez, 1983; Shafaeddin, 2005). This suggests that lack of/low natural absorptive capabilities may jeopardise the potential economic and employment gains from globalisation (Basu and Weil, 1998). It is also important to note that, most of these nations did not suffer from colonial exploitations (that was rife in Sub-Sahara Africa.

The South African experience of economic liberalisation has been mixed, but basically, more pronounced on the negative side. The country attained political emancipation in 1994, culminating in the end of the apartheid draconic rulership. At the advent of the democratic rule, the country was lured to liberalities its economy as a pre-condition for her re-admission into the global marketplace.

Record shows that the trend in South African economic growth has since improved. The economy has been growing from almost zero per cent in 1993, at the rate of around 5% over the past three years (Wessel, 2007). Just as the economy of South Africa grows, so are the social vices, especially crime. The question that now arises is: what is the correlation between economic growth and crime increase⁵? The explanation could be that the economic growth being experienced

does not translate to economic development, and thus poverty reduction. In essence, the trickle-down effect of the economic growth may not have reached the population group that is more susceptible to foment troubles.

Recent statistics released by the South African Police Services (SAPS) reflects a worrisome crime level. The record shows that business related crimes, just like other kinds of crime, have been in the increase since 1994.

Scenario 2:

Foreign Direct Investment (FDI)

The United Nations Conference on Trade and Development (UNCTAD) defines FDI as an investment involving a long-term relationship and reflecting a lasting interest and control by a resident entity (the foreign direct investor or parent enterprise) of one country in an enterprise (foreign affiliate) resident in a country other than that of the foreign direct investor (UNCTAD, 1999). To this effect, FDI can be defined as assets that are controlled and managed by an individual or a foreign company in a country other than that of its origin for a long-term business interest.

The importance of FDI in international business and, specifically, in the global business environment is crucial. Aided by FDI transactions, the world merchandise trade expanded at a rapid pace during 2006. During this period, growth of the volume of world exports is estimated to have risen above 10 per cent, from the previous level of 7.3 per cent in 2005, while the value of the

⁵ Crime has largely been attributed to lack of adequate opportunities among the youth (UN, 2007)

world exports increased by 16 per cent (The United Nations, 2007). The rapid increase in global economic growth (aided by FDI) has mostly been credited with the increase in incomes in the developing world, and the newly industrialised countries (Versi, 2003).

Historically, most African states viewed MNCs with contempt and distrust. These countries see these investments as being inimical to the much envisaged post-independent economic growth of their countries. As such, these firms were either discriminated against or had their activities seriously restricted or limited in their host African countries (Seid, 2002; Markusen and Venables, 1999; Lall, 1996).

The discrimination and hatred of MNCs contributed to the expropriation of some foreign companies on the continent between 1950s, and 1970s (Kebonang, 2006). Angola topped the list of the countries that carried out the most expropriation, followed by Ethiopia and Algeria, to mention but a few between 1965 and 1978 (ibid). Table 1 further indicates this trend among the ten most indigenised African countries over the period considered.

During these expropriation periods, it was a general belief that African countries should not depend on 'foreigners' for their economic sustenance (Kenedy, 1992). Contrary to their earlier stance on foreign MNCs, many African countries are now competing fiercely against each other for as much of FDI as possible. Their hatred and hostility against foreign investments have 'disappeared' and

they do all they possibly could to attract these MNCs, even at the expense of national interests (Akindele, Gidado, and Olaopo, 2002).

From the South African perspective, it appears that not much has been gained from these agencies of Washington consensus. On the whole, inflows FDI have been concentrated on the capital market, and also in the primary sector of the economy (Business Map Foundation, 2006), unlike the Asian economies that have diversified noticeably over the past 30 years. Also, most of the capital movement to the country over time has been in the form of portfolio investment ('hot money') (Magubane, 2006), which has created and furthered financial instability in the country.

Aside the incidence of financial instability, there is also the problem of pressure on the foreign account balance, occasioned by an increase in import without a corresponding increase in export. Since the increase in economic growth did not result from manufacturing (export-based manufacturing), it is little surprise that the recent balance of trade/payment deficit in South Africa has been disturbing (Statistics SA, 2007).

Considering the global share and distribution of FDI, it is disturbing to observe that virtually none of the top-10 global MNCs operate in Africa. According to UNCTAD (2006), Africa does not fall within the 25 most-favoured FDI locations in the world.

Table 2 shows that most of the global MNCs originate from the highly industrialised countries, and that they mainly invest within their regions of origin or regions where they have trade relations, fondly regarded as the TRIAD region. The location and concentration of these 'wealth creating' MNCs in the already developed and industrialised countries, further explains why most of the global wealth is concentrated in the advanced countries of the world.

From figure 1, it is upsetting to note that global inequality is very high. The regions with the highest share of global population has the least wealth concentration, with China, India and Africa topping the group of the least privileged in global share of wealth. It is further observed that the wealth gap has not decreased over time, but has in fact become much worse in some areas. Wealth is concentrated in North America, Europe, and high income Asia-Pacific areas such as Japan. Collectively, these areas own nearly 90% of the world's wealth (World Institute for Development Economics Research, 2006).

Further more, out of the global population of about 6 billion, some 2.8 billion lives below US\$2 per day, while about 1.2 billion lives below US\$1 per day (Kim, Yong, Millen, Irwin and Gershman, 2000). According to these researchers, almost half of the world's population (47%) together earns about 0.025 per cent of global income, while 20% of world's population exists in conditions of abject poverty.

Pogge (2004:265-266) have this to say:

... (of the global 6 billion people) 799 million are undernourished, 1 billion lack access to safe water, 2.4 billion lack access to basic sanitation, and 876 million adults are illiterate. More than 880 million lack access to basic health services. Approximately 1 billion have no adequate shelter and 2 billion no electricity...roughly one-third of all human deaths, some 50,000 daily, are due to poverty-related causes, easily preventable through better nutrition, safe drinking water, vaccines, cheap re-hydration packs, and antibiotics.

The basics of global inequality

From the ongoing, it is observed that the major cause of world's poverty could be attributed to inequality and unjust global politics. To be able to resolve global inequality, it is necessary to look at the root of these inequalities. This will require looking at the impact of the Washington consensus as the regulatory instruments of global trade/investment and capital market, on the developing world.

1. The role of International Financial Institutions (IFIs) - the IMF and the World Bank were the products of Monetary and Financial Conference at Bretton Woods in 1944 (Van Dormael, 1978). The agreement was seen by the global economic powers as the impetus to catalyse global economic rebuilding, following the global economic depression that resulted from the World War 1 (Mackenzie, 2006).

United States was able to use its economic supremacy (owing to its economic windfall during the war) to negotiate and win a veto in these institutions' decision making process, as a way of safeguarding its status as the most buoyant creditor (Mackenzie, 2006). Most of the decisions made by these institutions (IFIs) require a 50% of votes. While the wealthiest economies command 40% of the total votes (the G7 alone commands 45% of the IMF voting power), the entire developing world have only 26% of the total votes (Africa, which constitute 25% of the institutions' membership, with a combine population of about 0.7 billion, has only 4% of the voting power, while Belgium with only 10 million population has more voting right) (Woods, 2005).

Some of the more crucial decisions of these institutions, especially those that deals with the amendments of the Articles of Agreement of the IMF require 85% majority of votes (IMF, 1945). On this important decision, United States has a veto, and controls more than 15% of total votes (IMF, 2006; World Bank; 2006). Aside the 'inadvertence' that both of these institutions are located in the United States (Washington, D.C.), the United States' Treasury Secretary nominates the president of the World Bank (who is always a U.S citizen, along with the deputy Director of the IMF), while the Managing Director of the IMF is always a European (Monbiot, 2003).

This level of inequality in the IFIs, and the desire of the regulating countries to continuously protect their leadership status,

explain why the developing world may not benefit enough from these institutions, in a way that will help alleviate poverty. Take for instance, Mackenzie (2003) quoting Monbiot, made reference to a World Bank official at a Bank summit in Prague who openly declares "If we cancel the debt (HIPC debts) there will be no World Bank." Evidence abound on the level of injustice being perpetrated by the IFIs to further the interests of countries and the MNCs from the industrialised countries, at the expense of the world's poor (Rich, 1994; Kapstein, 1999; Stiglitz, 2002; Ghauri and Buckley, 2002; MacEwan, 1990; Ohiorhenuan, 1998; Henriot, 1998; Akindele, Gidado, and Olaopo, 2002).

The Fund which was founded on the 'belief that (free) markets often worked badly' (Stiglitz, 2002:12), now advocates vulgar trade and capital market liberalisation – free market economies. As a part of their conditionalities to approve 'developmental' loans for the less developed nations, the Structural Adjustment Programme (SAP) was embedded in the contractual agreement, which, because of its requirement to conscript government spending on 'poverty alleviating' social services, eventually exacerbated poverty rather than easing it (Stiglitz, 2002). The use of 'grammatical substitution approach' to replace 'structural adjustment' programme with the Poverty Reduction Strategy Papers under the HIPC initiatives (Mackenzie, 2006), further indicates the unwillingness of global 'powers' to genuinely reform the institutions for the benefit of the poor.

2. The role of the World Trade Organisation (WTO) - the Uruguay Round, where GATT was transformed into the WTO, was aimed at achieving further trade liberalisation, both in goods and services, to improve global economic growth. There is no gainsaying that the global economy has been growing at an unprecedented level (as explained earlier). But it must equally be noted, however, that this has not been to the advantage of the world's poor. While these organs (GATT and now WTO) argue that economic liberalisation aids growth, empirical research found something different. Rodriguez and Roderik (2001) identify poor macroeconomic performance and high levels of corruption (particular to Africa) as the possible cause of the low growth recorded by closed economies in the developing world, rather than the economies themselves 'being closed.'

As a part of its administrative duties, the meeting of this organ (WTO) where major decisions are expected to be made constitutes a mere formality. In practice, major trade/investment decisions are taken in the 'green room' that contains the United States, Canada, the E.U, and Japan (Mackenzie, 2006). Any decision taken in the 'green room' requires mere ratification by members at the meeting proper, which is always easily achieved.

This debacle of 'green room' agreement may explain why the economically powerful countries find it unbearable to ratify either the Kyoto Protocol or the Doha Round that they considered to be less favourable. With

agriculture as the centre of disagreement at the Doha Round, it is not likely that much will be achieved in this direction, considering the impact and support enjoyed by agriculture in the developed economies.

Under the current WTO rules, rich countries are allowed to erect the highest possible barriers on the goods produced by the poorest countries. 70% of the world population lives in the rural areas and their main source of livelihood is agriculture. The Western nations' double standard on agriculture affects the world's poor in two folds, namely the import tariffs and subsidy.

Agricultural tariffs designed by the WTO at the Uruguay Round are hurting the poorer countries more. For example in Europe, imports of raw cocoa attract a tariff of 0.05 per cent. Semi-processed cocoa attracts as much as 10 per cent tariff while chocolate (manufactured from cocoa pastes) attracts as much as 30 per cent (Wolfowitz, 2005). This arguably explains why the 90 per cent of world's cocoa producers (developing countries) produces only 4.0 per cent of the world's chocolate. It's a scandal that wealthy nations are developing in terms of trade barriers, out of self-interest (Thissen, 2007).

Still on agriculture, farmers are kings in the West. Wolfowitz (ibid) further observes that the developed nations spend US\$280 billion annually on agriculture supports (an average of US\$1 billion every working day). When compared to the amount these nations spend on aids to less developed nations, some level of insincerity abound. For United

States and Europe, US\$3.0 is spent on each dollar expended on foreign aid. The figure is 500 yen in support of agriculture for every 100 yen spent on aid by Japan.

In the European Union, the agricultural subsidies fatten the rich (Spiegel, 2007). The Union continues to pay millions of pounds to big dairy firms who then produce excesses that flood African countries with cheaper products (dumping). The most affected countries are Ivory Coast (Cote d'Ivoire), Sudan and Nigeria; thereby further damaging local firms (Chris Mercer, 2007). The author further declares "We are exporting our own problem, undermining economies in developing countries". In Scotland, Tom Macfarlane's 3,000 head cattle farm receives a subsidy of £307,846 in 2005 (Mulvad and Thurston, 2006), which was far more than what some poorer African countries spend on agriculture support services. It is thus a little surprise that the recent failure of G4 summit in Germany to reach a reasonable conclusion on the world economy, was in part due to the pressure from the Western manufacturers who warned that any deal that did little to further open developing countries to their exports will not be acceptable (Palmer and Macinnis, 2007).

As if all these attempts to strangulate the developing economies were not enough, farm produce from the developing world (Africa being the most affected) are poorly priced by the Western 'sole' buyers. In the Ethiopian village of Yirgacheffe, the highest price for a kilo of coffee cherries is barely US\$2.25.

Some of the farmers even sell at 33 cents. On the average, 80 cups can be served from each kilo of coffee. In big cities of Tokyo (Japan) and London (United Kingdom), Starbucks, the American coffee retailer, sells a cup of coffee for as high as US\$3.00 or GBP3.00. The recent imbroglio between Starbuck and Oxfam over Ethiopia's bid to trademark its coffee is a reflection of the Westerners' desire to unabatedly exploit Africa. Robert Nelson, the head of National Coffee Association in United States declared that "For the US industry to exist, we must have an economically stable coffee industry in the producing world" (BBC News, 2007/06/11).

More over, the plight of sugar cane farmers in Busia district of Kenya further reflects the global injustice in trade liberalisation. For decades, these farmers have grown sugar cane and made a good living from it. But now, it is threatened by trade policies which enable foreign sugar exporters to sell sugar more cheaply in Kenya than local producers. It is even ironical that these farmers cannot afford to buy sugar, yet the crop that produces it stretches over many acres of their lands. Cheap imports of processed sugar undercut the prices Kenyan farmers hitherto charge to earn a living. Although, this may make sugar consumption more affordable to people, but it also exacerbates poverty among the affected farmers.

This level of trade lopsidedness perhaps made the Kenya's Director of Internal Trade, Seth Otieno, to remark that trade liberalisation has been a disaster for many

farmers in Kenya. According to him, "Globalisation is a curse to many sectors, especially agriculture, in this country (Kenya)." The same ugly situations confront sugar cane farmers in Swaziland, where the import of sugar products from the European Union countries has undermined the local industry. Recent estimate suggests that the sugar industry in Swaziland has lost more than 16,000 jobs, and a further 20,000 jobs have been lost in transport and packaging (of sugar) (Somerville, 2007).

Riding on the laurel of opportunities and immunities they currently enjoy under the Uruguay Round, the European Union, Japan and the United States provide adequate financial support for their farmers, which give them big advantages in production and sales of farm produce. This undue advantage ruins African farmers by subjecting them to unfair trade competition. Also, these wealthy countries protect their own farmers from competitive imports from Africa, by demanding that African countries should cut subsidies to their farmers, while most of the African farm produce are often seen as being 'inferior' to be absorbed by the Western markets.

Possible intervention

According to Köhler (May, 2003), the world needs more, not less of globalisation to alleviate poverty and to ameliorate the socio-economic problems of the world, especially, in the less developed countries. He further reiterates that it is only 'good intended' globalisation that is capable of achieving this laudable goal. For globalisation to achieve

this, the process must be underpinned by global rules and institutions that place human development above the pursuit of corporate self-interest and national advantage (Somerville, 2007).

Considering the complexity of the problem purportedly created by globalisation, the possible solution should also be viewed from a complex angle. To this end, the expected solution would be divided into two, namely: (A) the intervention policy mechanism from the less developed countries' governments (African states) and (B) the global solution approach.

A1. Policy intervention (Africa) – While encouraging African States to embrace globalisation, President Thabo Mbeki of South Africa, an originator of the pro-globalisation New Partnership for Africa's Development (Nepad), warns that the process leads to rising inequalities between and within countries. As such, Governments must "re-shape and re-direct its impact" (Somerville, 2007). This suggests that African leaders must be mindful of the kinds of foreign investments to attract, while designing necessary policy frameworks to ameliorate the associated risks (Magubane, 2002; Mittleman, 1997).

A2. Corruption - Essentially, African states need to address corruption. The incidence of corruption has been particularly troubling in Africa. Corruption should be seen as glowing embers in the bush-fire that eats at the moral and economic health of nations. It perpetuates itself into an indispensable

fulcrum- an easy ride to moral insanity, administrative sewers and unethical baptism (Aregbeshola, 2007). It is estimated that the loots stashed away in foreign accounts by African leaders are roughly equal to the total debt of the continent (Chabal, 2001).

Still on corruption, most of the civil wars on African continent were caused by greed and incidence of corruption. It is estimated that about US\$300 billion has been lost by Africa to war since 1990 (about US\$18 billion per year) (iansa, Oxfam, and saferworld, 2007). On average, armed conflict shrinks an African nation's economy by about 15 per cent. Aside the obvious direct costs of armed violence which include: medical costs, military expenditure, the destruction of infrastructure, and the care for displaced people – which divert money from more productive uses; the trickle-down effects of this pandemic are even higher. It falters or grinds economic activities to a halt, incomes from valuable natural resources are looted by rebels to finance the war, and the country suffers from inflation, debt, and reduced investment. The vast majority of people suffer from family dissolution, unemployment, lack of public services, and more importantly, war trauma.

It is expected that a more accountable and transparent leadership, with the spirit of commitment to the service of humanity, may help to reduce the ugly reality of wars in Africa. Good governance should be a top priority of nation-states. While some leaders empty the covers of the country upon which

they govern, some are busy with illicit money laundering and drug smuggling. These quagmires further reduce our leaders' ranking at the world negotiation Rounds. Morality demands that it is only credible people that should be accorded credible considerations! The principle of enrichment without development should be extinguished from African states.

A3. Education and skills development – science and technology, and various kinds of skills development are imperative issues for African countries. Universities across Africa must play a central role in technology transfer, which is needed to achieve a spillover advantage from the foreign MNCs. These universities should be able to provide valuable settings for educating and training scientists, economic development specialists and political officials. They should groom and nurture unbiased knowledge and information, while offering forums for international exchange of valuable knowledge.

This is only achievable by building first-rate universities that are globally competitive in providing world-class training and research that cut across various disciplines, required to catalyze Africa's economic growth and development. It is also vital to establish research units and centers of excellence within university departments and faculties to strengthen the links between education/research, and the industrial sector. This will help to commercialise research outputs, while advancing Africa's technological and scientific capabilities.

A4. Africa integration – it is essential to strengthen trade and investment ties between and among African States. The determinants of economic growth are primarily domestic. It is paradoxical that contemporary analysis recognises the limits of external support and assistance, while ignoring the overarching home-grown catalyst to development.

While foreign investors echo the importance of infrastructural facilities like good road networks, railways, sea and airports, the impact of trade/investment related policies that promotes continental and interregional free trade amongst African States should also be considered. Due to trade hindrances and poor infrastructural facilities, the cost of moving goods from Abidjan to Addis Ababa was 3.5 times higher than moving the same goods from Abidjan to Japan (Herbst and Gruzd, 2004).

More over, between 2000 and 2004, only 64.4 out of every one thousand Sub-Sahara Africans have access to telephone (The World Bank, 2006). According to the same report, the vast majority of African population lives in the rural areas (64 %). Of this figure, only 6.1 per cent have access to electricity and barely 0.8 per cent has access to telephones. While access to mobile telephone has increased over time (74.1 in every 1000 people), the average costs of telephone calls are still very high. It could cost as much as US \$4.35 for three-minute calls from The Gambia to the Unites States (ibid). This further discourages international

business participation as communication is very essential in this regard.

Transport costs and access remains a significant problem to African trades and investments. Nearly 40 per cent of Africans live in landlocked areas with poor road networks and incomparably high transport costs that could be almost double the cost in other developing continents (The World Bank, *ibid*). Lack of good road network inevitably hinders trade and entrepreneurial activities. It is essential for African leaders to acknowledge these challenges and resolve them appropriately.

On the international front, the playing ground should be levelled to ensure a healthy mutually benefiting trade and investment relationship. It is time the world forgets about 'all animals being equal, while some are more equal than others'.

B1. Liberalisation of the regulatory frameworks of the IFIs and the WTO – meeting global challenges sometimes demands painful reforms. However, marshalling the political economy of reforms is not easy (Gurria, 2007). Given that 'agreement is a poor vehicle for prompting parties to act fairly or reasonably when they benefit from engaging in unfair conduct' (Morss and Bagaric, 2005), it is essential to embark on a drastic move to enlarge the voting rights of the less developed nations in the IFIs and the WTO. The representatives of the world's poor should have a decisive say in matters that concern the livelihood of their less privileged people.

B2. End to bullying - African leadership should resolutely press for the liberalisation of the so called 'rogue armies/states.' There is the need to create a truly democratic global environment. Not alphabetically federalism of the kind that grants all country members one votes, with the powerful ones having a veto. It is only a truly democratic world order that is capable of removing all tinctures of the ugly past. A mistake should not be made to link globalisation with slavery, colonialism, or more appropriately, neo-colonialism. The era of state-bully should be terminated, where some States use force to coerce the other into agreements that are counter-productive and anti-poor. All nation States should not only be equal, but they should be seen by the international regulatory bodies, to be equal.

B3. Global sincerity - Industrialised countries should honour their pledges to the developing world in order to attain the Millennium Development Goals (MDGs), as well as other development initiatives designed to alleviate poverty. Aside making available the financial assistance promised to Africa, the hitherto havens for African loots should be discouraged from keeping such illegal proceeds. Necessary mechanisms should be established to ensure that no safe haven is provided for corrupt leaders and their loots. On the whole, it is essential to realise that making globalisation work for all is a necessity, and not a privilege.

'The challenge before us is now not technical, but rather political. It is about

compromise, about countries recognising their common interest in success and the collective costs of failure'...Pascal Lamy, the Director General of WTO (July 2, 2007)

Reference list

Abramovitz, M. 1989. *Thinking about growth: And other essays on economic growth and welfare*. Cambridge: Cambridge Press.

Anderson, K. 2005. On the virtues of multilateral trade negotiations. *Economic Record*. 81(225):414-439.

Basu, S. and Weil, DN. 1998. Appropriate technology and growth. *Quarterly Journal of Economics*. 113(4): 1025-1054

Diebold, W. Jr. 1952. *The end of the ITO*, International Finance Section, Essays in international Finance. No.16, NJ. Princeton: Princeton University Press.

Friedrichs, DO. and Friedrichs J. 2002. *The World Bank and Crimes of Globalisation: A Case Study*. *Social Justice*. 29(1-2):13-36.

Ghuri, P. N. and Buckley, P. J. 2002. *International mergers and acquisitions*. London: International Thomson Business Press.

Griswold, D.T. 2000. *The blessings and challenges of globalisation*. Cato Centre for Trade Policy studies, September 1.

Gurria, A. 2007. *Making the World Economy Work better*. *OECD Observer*. 262 (July):3

Havila V, Forsgren M, and Hakansson H (eds). 2002. *Critical perspectives on internationalisation*. Oxford: Elsevier Science Ltd.

Hill, C.W.L. 2007 *International business: competing in the global marketplace*. 6th edition. New York: McGraw-Hill/Irwin

Herbst, J. and Gruz, S. 2004. *A business vision for Africa*. *eAfrica, The electronic Journal of Government and Innovation*. Vol. 2, February:1-12

Johnson D, and Turner C.2004. *International business: themes and issues in the modern global economy*. London: Routledge

Kapstein, EB. 1999. "A Global Third Way: Social Justice and the World Economy." *World Policy Journal*. 15: 23-35

Kebonang, Z. 2006. NEPAD: Drawing lessons from theories of foreign direct investment. *Journal of Economics and Business*. 5(2), 255-272

Kindleberger, CP. 1989. 'Commercial Policy Between the Wars'. In Mathias, P. and Pollard S. (eds). *The Cambridge Economic History of Europe*, Vol.8. Cambridge: Cambridge University Press.

Kohler, H. 2003. *The Challenges of Globalisation and the Role of the IMF*. Berlin, May 15.

- Kim, Yong J., Millen, J.V., Irwin, A., and Gershman, J. (eds.) 2000. *Dying for Growth: Global Inequality and the Health of the Poor*. Monroe, MN: Common Courage Press.
- Lall, S. 2004. The employment impact of globalisation in developing countries. In Lee and Vivarelli, page 73-101
- Lechner, F.J. and Boli, J. 2004. *The globalisation reader*. 2nd edition. Oxford: Blackwell
- Lee, E. and Vivarelli, M. 2006. The social impact of globalisation in the developing countries. *International Labour Review*. 145(3):167-185.
- Mackenzie, S. 2006. Systematic crimes of the powerful: criminal aspects of the global economy. *Social Justice*. 33(1):162-183
- MacEwan, A 1990 'what's 'new' about the 'New international economy,' mimeo. Boston: University of Massachusetts.
- Magubane, Z. 2002. Globalisation and the South Africa transformation: the impact on social policy. *Project Muse*, (49) 4: 89-110
- Markusen, J.R. 1998. Multinational firms, location and trade. *The world economy*, 21(6), 733-756
- Mishkin, F. 2007. Promoting the next great globalisation. *Financial Times*. Oct. 10:11
- Mittleman J. (ed). 1997. *Globalisation: critical reflections*. Boulder: Lynne Rienner
- Monbiot, G. 2003. *The Age of Consent: A Manifesto for a New World Order*. London: Flamingo.
- Morss, R.J; and Bagarric, M. 2005. If we can't have global democracy, let's all be Americans: injecting principle into the international lawmaking process. *Transnational Law & Contemporary Problems*. 15(1): 217-243
- Palmer, D. and MacInnis, L. 2007. G4 talks collapse, throw trade round into doubt. *Reuters*, June 21.
- Perez, Z. 1983. Structural change and the assimilation of new technologies in the economic and social system. *Futures (Guildford)*. 15(5): 357-375
- Pogge, T.W. 2004. Assisting the global poor. In Chatterjee DK. (ed). *The ethics of assistance: Morality and the distance needy*. Cambridge: Cambridge University press.
- Rivera-Batiz L A and Oliva M A.2003. *International trade: theory, strategies, and evidence*. New York: Oxford press
- Roberts, S. and Thoburn, J.T. 2004. Globalisation and the South African textiles industry: impacts on firms and workers. *Journal of International Development*, 16: 125-139.
- Rodrick D. 1992. The limits of trade policy reforms in developing countries. *Journal of Economic Perspectives*. 36, 4-22.
- Rodriguez, F. and Rodrik, D. 2001. Trade policy and economic growth: a sceptic's guide to cross-national evidence. In Bernanke, B.S. And Rogoff, K. (eds). *NBER Macroeconomics Annual 2000*. Cambridge: MIT Press
- Shafaeddin, M. 2005. *Trade Policy at the crossroads. The recent experience of the developing countries*. New York: Palgrave Macmillan.
- Spiezia, V. 2004. Trade, foreign direct investment and employment: Some empirical evidence. In Lee and Vivarelli. Pp. 143-163
- Stiglitz, J.E. and Charlton, A. 2005. *Fair Trade for All*. New York: Oxford press.
- Stiglitz, J.E. 2002. *Globalisation and its Discontents*. New York: WW Norton.
- Versi, A. 2003. African Hunt for Investments. *African Business Journal*.
- Wolfensohn, J.D. 2001. The challenges of globalisation: the role of the World Bank. Paper read at Public discussion forum. Berlin, Germany (12 April).
- Zander, U. 2002. When Mohammed goes to the mountain: globalisation, cathedrals of modernity and a new world order. In Havila, Forsgren and Hakansson. *Critical perspectives on internationalisation*. Oxford: Elsevier Science Ltd.
- The World Bank, African Development Indicators, 2006
- The United Nations. 2007. *World Economic Situation and Prospects*. New York and Geneva: The United Nations.
- Van Dormael, A. 1978. *Bretton Woods: Birth of a Monetary System*. London: Macmillan.
- Wessel, D. 2007. Capital: Globalisation brings South Africa Gains and Pains. *Wall Street Journal*. June 21: A.2
- Internet links
- Akindele, S.T., Gidado, T.O. and Olaopo, O.R. 2002. Globalisation, its implications and consequences for Africa. *Globalisation*. Available: http://globalisation.icaap.org/content/v2.1/01_akindele_et_al.html [accessed 08 June 2007].
- Aregbeshola, R.A. 2007. The hallucination of globalised Africa: the pains and gains of the conundrum – a South Africa perspective. 19th Annual conference of the Southern Africa Institute for Management Scientists. 19-21 Sept., 2007. Available at: <http://www.uj.ac.za/saims2007>. [accessed on 2007/10/25]
- BBC NEWS. Available at <http://www.bbc.co.uk> [Accessed on 2007/06/11].
- Somerville, K. 2007. Africa: Globalisation or marginalisation? Available at: <http://www.bbc.co.uk> [accessed on 2007/10/01]
- Henriot, P.S.J. 1998. *Globalisation: implications for Africa*. Jesuit Centre for Theological Reflection, Lusaka Zambia. Available: <http://www.sedos.org/English/global.html> [accessed 08 June 2007].
- IMF. 2006. "The IMF Members' Quotas and Voting power, and IMF Board of Governors." Available at:

<http://www.imf.org/external/np/sec/memdir/members.html> [accessed on 2006/06/06].

Mulvad, N. and Thurston, J. 2006. Farm Subsidies in Scotland 2005: Initial analysis. Available at: <http://www.farmsubsidy.org> [accessed on 2007/06/08]

Palmer, D. and Macinnis, L. June 21, 2007. G4 Collapse, throw trade round into doubt. Available at: <http://www.reuters.com> [Accessed on 2007/07/06]

Werner Thissen. 2007. Available at: www.spiegel.de/international/world/0,1518,druck-487270,00.html. [Accessed on 2007/06/08]

Wolfowitz. 2005. Trade – the missing link to opportunity, national press club, Washington D.C. World Bank. Available at:

http://uk.f277.mail.yahoo.com/ym/showLetter?MsgId=2505_3274819_211320_2063... [accessed 08 June 2007].

www.spiegel.de/international/0,1518,418216,0.html
[Accessed on 2007/06/08]

www.dairyreporter.com/news/printNewsBis.asp?id=67896 [Accessed on 2007/06/08]

Various other UN, UNCTAD, WTO, IMF, and the World Bank websites

Table 1: The top ten countries that expropriated MNC assets in Africa between 1956 and 1983

Country	Year	No. of firms expropriated
Angola	1975-1978	12
Algeria	1965-1978	10
Ethiopia	1975-1978	10
Egypt	1956-1967	7
Madagascar	1975-1978	5
Mozambique	1975-1980	4
Congo	1970-1977	3
Nigeria	1968-1974	3
Morocco	1965-1978	3

Source: Data from Kebonang (2006:17). (This table has been modified)

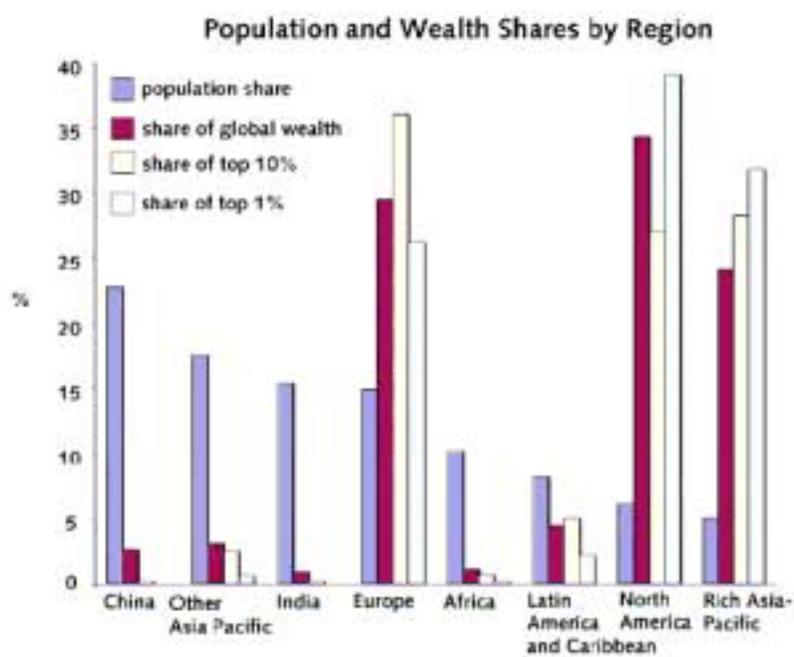
Table 2. The 25 most-favoured locations of the largest 100 TNCs in the world and from developing economies in 2005

TNCs from all countries		TNCs from developing economies	
Host economy	Location intensity	Host economy	Location intensity
United States	92.0	United States	50.0
United Kingdom	91.0	Hong Kong, China	33.9
Netherlands	89.6	United Kingdom	33.7
Germany	87.4	China	30.0
France	83.5	Singapore	26.4
Italy	81.4	Netherlands	25.0
Brazil	81.0	Japan	22.5
Belgium	80.0	Malaysia	20.3
Switzerland	79.4	Canada	16.2
Mexico	78.0	Australia	15.0
Canada	77.3	Germany	15.0
Spain	76.4	Cayman Islands	13.7
Singapore	73.7	Taiwan Province of China	13.2
Poland	72.0	Virgin Islands (UK)	12.5
Japan	70.3	Bermuda	11.2
Czech Republic	70.0	France	11.2
Australia	69.7	Brazil	10.4
Argentina	68.0	Belgium	10.0
China	66.0	Mexico	9.5
Hong Kong, China	65.6	Poland	8.8
Austria	64.0	Czech Republic	7.5
Portugal	64.0	Italy	7.5
Denmark	61.0	Spain	7.5
Finland	55.1	Korea, Republic of	6.7
Hungary	55.0	Austria	6.2

Source: UNCTAD, based on Dun and Bradstreet's *Who Owns Whom* database.

Note: **Location intensity** is defined as the total number of TNCs having at least one affiliate in the host country, divided by 100 minus the number of TNCs from this country listed in the top 100 lists.

Figure 1: The share and allocation of global wealth



Source: World Institute for Development Economics Research, 2006.