GLOBALIZATION AND QUITY IN SUB-SAHARAN AFRICA

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Abstract

This paper examines the issues connected with globalization and equity with specific reference to Sub-Saharan Africa. It shows that while globalization has brought quantum leap in trade, capital flows and income to some regions, globalization is nevertheless a very uneven process with unequal distribution of benefits and losses. The world has become more unequal over the last two centuries and this inequality has been brought about by unequal access or unequal capabilities or capacities. The unequal nature of the outcome is manifested in the fast growing gap between the world's rich and poor countries. There is nowhere else that is adversely affected than Sub-Saharan Africa where despite its abundant resources, the level of poverty is worst in the world. African countries fill the bottom places in the world league of economic performance. The paper examines the extent to which Africa has participated in the global economy using the various indicators of economic integration and demonstrates its total marginalization as the share of its trade; investment and output have declined to negligible proportions over time. The paper also analyzes the extent to which the poor performance of Africa can be attributed to globalization. In the process, the paper examines/analyzes using available empirical evidence the extent to which participation in the global economy is a ***sine qua non*** for economic growth. The paper then explores the methods that Africa can adopt to integrate fully and derive immense benefits from the globalization process.

GLOBALIZATION AND EQUITY IN SUB-SAHARAN AFRICA: THE MYTH AND THE REALITY[1].

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THE AIMS OF THE PAPER

This paper analyzes the issues of globalization and equity with specific reference to Africa. Specifically it deals with the issue of globalization in general and its specific reference to Africa, analyzes the issues connected with Africa's integration into the global economy using different indicators. It discusses Africa's poor performance relative to the rest of the world. It also discusses how Africa can be integrated into the global economy, taking maximum advantage of the opportunities while minimizing risk. In the process it is hoped that Africa will bridge the inequality gap.

The paper is organized as follows. The first section puts in perspectives the whole issue about globalization and equity and their relevance to Africa. The benefits of globalization constitute the theme of the second section. The third section of the paper addresses the issue of globalization in Africa and explains why globalization is being advocated. The globalization and equity issues are discussed in section 4. The relative position of Africa is discussed exhaustively in this section and several parts of the paper with a view to showing how Africa has lagged behind and has not participated fully in any meaningful way in the global economy. The channels of global interaction are discussed in section 5. The extent to which Africa is integrated in the global economy is analyzed in this section. Section 6 focuses on how Africa can be integrated in the global economy and minimize the discrepancy in its income relative to the rest of the world. The section makes it very clear also that it is not integration into the global economy alone that makes a country

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[1] Paper presented at the Fourth Annual Global Development Conference on Globalization and Equity, Cairo, Egypt, January 14-21, 2003.

grow. In positioning itself to take advantage of the opportunities Africa must put in place policies that will enhance its growth prospects. The section also discusses the external influences impinging on Africa in the areas of trade and investment. The conclusion is in section 7.

1.INTRODUCTION AND GENERAL OVERVIEW

"Globalization," which is not a new phenomenon can be loosely defined as increasing interaction among and integration of the activities, especially economic activities, of human societies around the world. More concretely, however, it **"refers to the growing economic 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"** (IMF, 1997c p.45). Globalization encompasses both a description and a prescription (UNDP, 1997). The description lies in the widening of international flows of trade, finance and information in a single integrated global market, while the prescription lies in liberalizing national and global markets in the belief that free flows of trade, finance and information will produce the best outcome for both growth and human welfare. The most important aspects of economic globalization are the breaking down of national economic barriers, the international spread of trade, financial and production activities and the growing power of transnational corporations and international financial institutions in these processes (Khor, 2000). Globalization is perhaps the most important trend shaping the current environment for economic development.

The popularity of "globalization" as a concept can be attributed to two major reasons. The first is its scale and speed and the way technology (especially in communications and transportation) is changing the world. Second, it is the latest in economic fad that has become accepted as changing the international environment and turning the whole world into a global village.

The general talk about globalization and indeed its advocates for its adoption as a policy stance for development in developing countries especially in Africa makes it sound and look like it is new. "Globalization" as a concept is not new. There has been three major phases of globalization: these are 1870-1914, 1945-80 and 1980 till now. The world was highly globalized by the end of the 19th century. There was a rapid rise in trade as a result of falling shipping costs. In 1913 the ratio of world trade to world output reached a peak that would not be matched again until 1970. The growth of trade was also accompanied by unprecedented flows of capital and there was significant migration especially to the Americas.

Following the two world wars and the great depression, a new wave of globalization began, characterized by further decline in transport costs which fell by half in real terms between 1940-60, the expansion of modern international corporations, which are well suited to working around barriers to trade imposed by language, national commercial policies and other factors; and unprecedented growth in output and living standards (Aninat, 2002). The second wave of globalization was favorable for developing countries. According to the World Bank Report (2002): Second wave of globalization was not golden for developing countries. Although per income growth recovered from the interwar slowdown, it was substantially slower than in rich countries. The number of poverty improved.

In the new wave of globalization, which essentially began in the 1980s, there were three distinctive features. First a large number of developing countries broke into the global markets. Second, other developing countries became increasingly marginalized in the world economy and suffered declining incomes and rising poverty. Third, international migration and capital movements, which were negligible during the second wave of globalization, became again substantial. Perhaps the most important and unique feature of the current globalization process is the "**globalization of national policies and policy-making mechanism. National policies (including in economic, social, cultural and technological areas) that until recently were under the jurisdiction of States and people within a country have increasingly come under the influence of international agencies and processes or by big private corporation and economic/financial players. This has led to the erosion of national sovereignty and narrowed the ability of governments and people to make choices from options in economic, social and cultural policies" (Khor, 2001**).

2. THE BENEFITS OF GLOBALIZATION

The world economy has become more globally integrated and has turned out to be a global village. Globalization has many positive, innovative and dynamic aspects all related to the increased market access: increased access to capital, information, technology and trade and these are expected to lead to greater income and employment opportunities.

Globalization has brought about a quantum leap in trade, capital flows and movement of people. Trade flows increased by 16-fold in the last 50 years as a result of the removal of trade barriers. Opening up to international trade has helped many countries grow far more quickly than they would otherwise have done. International trade helps economic development when a country's exports drive its economic growth (Stiglitz, 2002). World exports of goods and services almost tripled in real terms between 1970 and year 2000. Capital flows expanded faster with foreign direct investment that totaled $160 billion in 1991 soaring to $1.1 trillion in 2000. Foreign direct investment to developing countries increased from $24 billion in 1990 to $178 billion in 2000. Even though globalization has brought opportunities for growth and development for both the rich and the poor countries, not all countries have been able to take advantage of the new opportunities. The whole world is definitely more prosperous and healthier with per capita income tripling in the last 50 years in some countries, child mortality rate halving and life expectancy rising since 1965. In recent years we have witnessed unprecedented growth in global output and per capita income. More generally, there has been also a remarkable improvement in human welfare.

Given its multifaceted dimensions, globalization remains a highly charged and controversial issue. The reason is that globalization entails many risks including increasing inequality between rich and poor countries and the risk of destabilizing capital movement with its numerous financial contagion and banking crisis as well as heightened exchange rate variability. The serious demonstrations in the major cities across the globe are not unconnected with these concerns. Indeed, the September 11 attack in the United States of America is another angle of the globalization process.

A number of developing countries particularly in Asia have taken advantage of globalization and make substantial progress towards closing the income gaps relative to the industrial countries. While most other regions have derived significant benefits from the growth in trade and investment, thus fueling their structural transformation, Africa has been marginalized as its share of world trade, investment and output declined to negligent proportions (Collier, 1995 and 1997). Africa has consistently lagged behind and the income gap relative to the advanced countries and some developing countries especially in Asia has widened. It is necessary to state upfront that Africa is often termed a paradox: it is arguably one of the world's richest continents in terms of natural resources and yet the people that live in it are world's poorest. In the period 1980-89 and 1990-98, FDI to Sub-Saharan Africa grew by 59 percent whereas the increases to Europe and Central Asia, East Asia and the Pacific, South Asia Latin America and the Caribbean were 5,200 percent, 942 percent, 740 percent and 455 percent, respectively (Asiedu, 2002). Africa's share of FDI dropped to 2.3 percent in year 2000 (Basu and Srinivasan, 2002). Movements of people have also increased around the world the various inhibitions in terms of constraints notwithstanding. An estimated 175 million people live outside their countries, up from 104 million in 1985 with most living in Europe, Asia and North America[2]. For a large number of countries, workers remittances are the major source of foreign exchange. In the context of these global trends, Sub-Saharan Africa has however been marginalized.

3.THE CONTEXT OF THE ISSUE OF GLOBALIZATION IN AFRICA: WHY GLOBALIZATION IS BEING ADVOCATED?

While Africa was shielded from the full force of the Asian crisis because of the slow pace of its integration into the world economy, it has been alleged that Africa's exclusion from the global economy accounts for the fact that economic prosperity has eluded much of the continent. Africa has to exploit the real benefits of financial globalisation (Ouattara, 1998): increasing the resources available for productive investment (access to foreign savings which can help get around some of the traditional obstacles to rapid growth), enhancing the efficiency of their use and facilitating the transfer of technology, and imports of investment and intermediate goods that may not be available at home at comparable costs.

There are a number of reasons why globalization is being advocated in Africa at this time. The overriding reason is the poor macroeconomic performance in Africa, which is the resultant effect of various factors including colonial history, heavy dependence on primary products, macroeconomic policy errors, extraordinarily disadvantageous geography, ethnic fragmentation etc[3], and the advantages that Africa can derive from globalization. Africa's economic marginalization is the resultant effect of

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[2] See UNDP Press Release 20/10/2002:http://www.un.org/esa/population/publications/ittmig 2002/press-release-eng.htm

[3] For details on Africa's poor performance, see Easterly and Levine (1997), Sachs and Warner (1997) and collier and Gunning (1998).

isolationist policy and a closed economy approach to economic development. Africa's exclusion from the global economy accounts for the fact that economic prosperity has eluded most of the continent. The appeal to open up its economy is based on a simple but powerful premise: economic integration will improve economic performance. Africa cannot and must not remain in a state of isolation as failure to open up its economy will deepen its rate of economic marginalization and further exacerbate the income disparity between it and the rest of the world. Additionally, globalization has the promise of new opportunities for expanded markets, the spread of new technologies and ideas, heightened competition as a spur to achieving world standards of efficiency, and ability to tap cheaper sources of finance at the international level. All these hold out the promise for increasing and greater productivity but also a higher standard of living.

4.GLOBALIZATION AND INEQUITY: THE GOOD AND THE DISTURBING ASPECTS.

It is difficult from a political economy point of view to have a widely accepted definition of equity simply because it is not devoid of the ethics of social values, and different societies have different perceptions of what is equitable[4]. It is important to stress that most manifestations of inequality are rooted in unequal access or unequal capabilities or capacities. The issue of inequality in the case of globalization can be associated with the issues of unequal access and different outcomes[5].

Globalization has created serious debates over its effects on income inequality, average living standards and poverty. Much of the recent debate has focused primarily on OECD countries where the preponderant of the arguments has centered on the claim that globalization has contributed to inequality by increasing the wage differential between skilled and unskilled workers. It has been known also that wage differentials also exist in developing countries. Globalization and the issues related to it are generally

[4] This paper will concentrate on inequality of access and outcomes rather than on equity per se.

[5] Unequal access refers to inequality to trade, capital flows and technology. The outcomes are about differential GDP per capita growth and dispersion in poverty distribution.

polarized along the pro-globalization and anti-globalization divide. It is also along this divide that the issue of inequality is often discussed as illustrated by the following cases. Many pro-globalization advocates contend that there is increasing evidence that inequalities in global income and poverty are decreasing and that the decreasing trend in poverty and income inequity has been brought about by globalization. It is also found out in the World Bank 2000/2001 Report that the share of absolute poverty in the world is shrinking. Similarly the World Bank Report (2002) finds that in the case of developing countries that have integrated into the global economy there has been a reduction in poverty and increasing living standard. Countries that have failed to integrate have witnessed rising poverty level. The WTO study (2000) examines globalization and developing countries and finds that trade integration helps poor countries to catch up with rich ones and the faster economic growth helps alleviate poverty. The study also outlines significant economic benefits, which have accrued to developing countries in the last decade. The paper by Salai-Martin (2002) finds that global poverty rates have fallen dramatically over the last 25 years with no evidence of rising income inequality. The paper by Dollar and Kray (2001a) provides further evidence of a reduction in global income inequality.

In an influential contribution to the literature, Sachs and Warner (1995) have argued that openness to the world economy in terms of trade liberalization and reduction in distortions benefits developing countries through two channels. It raises their growth rates and leads to the convergence of their per capita incomes with the per capita income of developed countries. Empirical evidence on the question of convergence has been said not to be kind to the Sachs and Warner hypothesis (Singh and Dhumale, 2000). Detailed analysis has shown that except for a few Asian countries there has been divergence as opposed to convergence between the rich and the poor countries in the last two decades (UNDP, 1997).

One of the characteristics of the present globalization is the rate at which it is proceeding and its reach. What is clear however as pointed out by UNDP (1999), the "process is uneven and unbalanced, with uneven participation of countries and people in the expanding opportunities of globalization- in the global economy, in global technology, in the global spread of cultures and in the global governance". The report went further to state that "the new rules of globalization- and the players writing them – focus on integrating global markets, neglecting the needs of people that markets cannot meet".

Globalization is a very uneven process with unequal distribution of benefits and losses. It is this imbalance in its outcome that leads to the polarization between those countries that gain and several other countries that either lose out or are marginalized. The same process links the wealth concentration and the marginalization. The uneven or unequal nature of the present globalization is manifested in several ways in the fast growing gap between the worlds' rich and the poor people and the differences between countries in the distribution of gains and losses. International capital flows are generally highly concentrated favoring some selected countries and regions. Foreign direct investment (FDI) goes disproportionately to richer countries even though the expectation is that the marginal returns from investment is higher in poor countries due to the scarcity of capital. In the 1990s, 58 percent of flows of FDI went to developed countries and 85 percent of the FDI that went to developing countries and the transition economies went to only 20 countries, with the bottom 16 of these receiving less than what the top two got. (Mansod, 2000).

In a similar fashion, information and knowledge are not disseminated evenly and freely but tend to concentrate in countries where general education levels are already high and advanced technologies already exist such as computers and access to the Internet. Indeed the exchanges are sometimes deliberately restricted by legal measures, which are imposed by developed countries. The information and communications technology revolution has created gap of its own with the benefits titled to the developed world. In 1998, industrial countries accounting for 15 percent of the world population had 88 percent of Internet users. In contrast, South Asia with 20 percent of the world population had less than 1 percent of internet users while Sub-Saharan Africa with 9.7 percent of the world population had only 0.1 percent connected to the internet. The benefits from trade rounds are also expected to be unbalanced with 70 percent accruing to developed countries and only 30 percent of benefits to developing countries. From all indications developing countries are expected to lose, relatively.

The gap between the rich and the poor nations of the world is increasing. In order to prove this inequality, the figures often used is that of the UNDP 1999 development Report which find that poverty over the last ten years has been increasing: the number of people earning $1 a day or less has remained static at 1.2 billion, while the number earning less than $2 a day has increased from 2.55 billion to 2.8 billion people. The gap in incomes between the 20 percent of the richest and the poorest countries has grown from 30 to 1 in 1960 to 82 to 1 in 1995. By the late 1990s the fifth of the world people living in the highest-income countries had

- 86 percent of world GDP – the bottom fifth just 1 percent
- 85 percent of world export markets- the bottom fifth just 1 percent
- 68 percent of foreign direct investment- the bottom fifth just 1 percent
- 74 percent of world telephone lines, today's basic means of communication- the bottom fifth just 1.5 percent.

The benefits of globalization have largely gone to the wealthiest nations: only the rich can cross borders freely and advanced information technology is scarcely available in many parts of the developing world. The world has become more unequal over the last two centuries[6]. There is nowhere else that is adversely affected than Africa where despite its abundant resources; the level of poverty is the worst in the world. African countries fill the bottom places in the world league of economic performance. Compared to other regions of the world, Africa has been marginalized in terms of participation in the global economy[7]. While most of other regions have derived significant advantages from the growth in trade and investment thus propelling their structural transformation, Africa (particularly sub-Saharan Africa) has been bypassed and further marginalized in the world economy as its share of world trade, investment and output have declined to negligible proportions. In the 1970s the income per capita for Africa was virtually about the same for South Asia and Pacific. In the period 1970 to 1992, GDP per capita grew by $73 dollars; it grew by $420 in South Asia and by $900 in Pacific Asia. While most countries grew at 5 percent between 1975 and 1995, Africa grew at a rate of 3 percent, a rate that was slightly greater than its population growth.

In order to understand the macroeconomic performance of Africa, it is necessary to take a long-term perspective on the issues of growth and poverty. Two sets of table are therefore provided. In table 1 is shown the average annual growth in per capita GDP for the period 1960-91. In the

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[6] According to history, globalization has never been a necessary condition for widening income gaps (See Williamson, 2002).

[7] There is evidence that some African countries have taken advantage of globalization. Botswana in encouraging exports and emphasizing human development has been able to achieve annual growth rate in GDP per capita of 6 percent from 1980-96. Mauritius has been able to attract multinational companies by offering tax incentives.

period 1970-79, Sub-Saharan Africa had an average growth rate of 1.6 percent. This was the lowest of the countries shown in the table. In table 2 is shown annual growth of GDP per capita for the period 1980-2000. As can be seen from the table, Africa recorded the lowest growth rate of all the countries in the sample. In the period 1980-90, Africa grew at a negative rate of 0.74 percent and grew much less in the period 1991-2000 when the growth rate was negative 0.37 percent. Is it a surprise then that the largest proportion of people living in extreme poverty can be found in Africa? Table 3 shows that poverty has been rising in Africa.

5. CHANNELS OF GLOBAL INTERACTION: HOW WELL IS AFRICA INTEGRATED IN THE WORLD ECONOMY?

One of the distinguishing features of successful developing countries in the last fifty years is closer integration into the world economy. This is evident not only in the case of East Asian Tigers but also South Asia and Latin America. In order to discuss the impact of globalization on Africa and its equity implications, it is necessary to ask if Africa is fully integrated into the world economy. Some authors have contended that Africa is lagging behind not just in trade but in other areas as well. Alternative measures that attempt to capture the speed with which countries are integrating into the world economy confirm that Africa is lagging behind. Brahmbhatt and Dadush (1996) using an intuitive composite speed of integration index show that only Mauritius and Ghana in Africa fall in the fast integrators quartile. Most of the other countries in Africa fall in the "weak" or "slow" integrators quartile (See Tsikata, 2000). It is therefore appropriate to examine in detail the various indicators of global integration. These are international trade, Capital flows, Integration through migration, Advances in communications and transport. These are discussed in turn with more emphasis on the first two indicators.

(i) International Trade:

Trade has been a major engine of growth in the industrial countries as well as the middle-income countries. Extensive studies have consistently shown that export growth is linked to economic growth. There is also growing empirical evidence that improved trade performance is associated with increased employment opportunities and income for the poor. Dollar and Kray (2001b) have provided evidence that a group of developing countries that have significantly opened up to international trade have grown. These are the group of post-1980 globalizers.

The first avenue by which most countries feel the impact of economic integration is international trade. Trade remains the main vehicle for Africa's entry and full integration and participation in the world economy. Trade is however not new to Africa. Until the Atlantic slave trade began, trade between Europeans and Africans was by camel caravan across Sahara carrying salt and fine tools and swords from the North in exchange for other commodities like gold, silver, nuts and ivory from the South. In addition, many African countries were colonies with the responsibility of supplying raw materials for refining and final production in the homelands of the colonial powers. While the volumes of goods and services traded across the world have grown over the years, the volume of trade in Africa has not grown faster than its GDP. In the period 1980-1996, Africa was the only major region in the world to experience an absolute decline in its export earnings per person (Blooms and Sachs, 1998).

The performance of Africa's trade can be seen from its export and total trade performance over the years. In 1980, Africa's share of world exports stood at about 5 percent while that of Asia, and Middle East stood at 8 percent and about 11 percent, respectively. Africa's share of world exports steadily declined while the share of other regions increased. In the period 1980-90, Africa's share of world exports was about 3 percent, it declined to only 1.95 percent in the period 1991-2001. Asia on the other hand increased its share of world exports from 11 percent in the period 1980-90 to about 18 percent in the period between 1991-2001. (See Table 4 and figure 1). Looking at Africa's total trade to GDP ratio, it can be seen that Africa has not fared very badly (See table 5). This ratio however cannot be used as an indicator of the degree of integration into the world economy because it merely reflects the importance of primary products in trade and hence the extent of vulnerability of the countries to the vagaries of commodity prices. The ratio of trade to GDP is less important than the share of manufactured exports in total exports. The share of manufactures in exports is often used as an imperfect measure of a country's ability to produce at world standards and absorb technical knowledge (Brahmbhatt and Dadush, 1996).

Using this index (table 6) it can be seen that from 1995, the share of manufactures in Africa's export has varied between 32 percent and 36 percent. In South Asia, the ratio for the same period has hovered between 78-79 percent; and in East Asia and Pacific between 78-83 percent. With a third of the share of exports arising from the manufacturing sector, it can roughly be said that Africa[8] has been unable to produce at world standards and has not been absorbing technical knowledge like the rest of the regions mentioned.

The overwhelming concentration of Africa's trade has been in a narrow range of primary commodities. Africa's exports are heavily concentrated mainly on unprocessed primary products as opposed to exports of East Asia. A few exceptions should always be noted in the case of African trade. Given the enormity of the continent, generalizations are difficult to make. In this regards, South Africa, Mauritius, Madagascar and Angola are exceptions. Africa's declining share in trade can be attributed to a host of factors. The first is the failure to diversify out of traditional primary commodity exports into more dynamic export sectors. The second is the slow growth in the global demand for these commodities. The third factor that is often mentioned is the long-term decline in Africa's terms of trade. The difference in export structure is often said to account for the differences in the growth rates of Africa and East Asia. As primary producers, Africa has faced declining terms of trade due to the low income-elasticity of the demand for primary commodities. Sometimes the impact of the terms of trade is often exaggerated when account is not taken of the differential impact of the terms of trade on goods and that of terms of trade on goods and services. We show in figure 2, the terms of trade separated into goods, and goods and services for the period 1990-2001. For TOT goods, we find an almost flat graph for most of the period. There was a noticeable decline in 1997-99. It picked up till 2000 when it fell. Looking at the TOT goods and services, it fell throughout the period 1990-99 and rose between 1999-2000 and fell from thereon.

Within its narrow range of products, Africa has lost its market share in global trade. Copper alloys were Africa's largest single export in the 1960s with Sub-Saharan Africa supplying 32 percent of OECD imports, but by early 1990s this share has fallen to less than 10 percent. The trade shares in a number of commodities have declined in the 1990-97 from the 1970-79

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[8] Only a few countries in Africa consisting of South Africa, Mauritius, Madagascar and Angola have been able to increase industrial exports. Even in the case of Asngola, it is unprocessed diamond.

period: from 59 percent to 40 percent for cocoa, from 28 percent to 14 percent for coffee and from 40 percent to 5 percent for groundnuts[9].

Despite the substantial liberalization of trade in the 1990s, Africa's trade policies remain, on the average, significantly more protectionist than those of other countries (Sharer, 2000). In the United States and Canada all goods in 1999 attracted a rate of 4.8 percent and 4.6 percent, respectively. Switzerland had a zero rate and the European Union had a rate of 5 percent. This puts Africa at a great disadvantage compared to its trading partners and competitors. Table 7 shows average tariff rates by sector for different regions of the world. As can be seen, the rates in Sub-Saharan Africa are virtually higher than other regions[10]. Africa has therefore lost considerably from its anti-trade policies.

Africa's tariff structure however has its genesis. As aptly pointed out by Williamson (2002), GATT from its very beginning in the 1940s explicitly excused low-income countries from the need to dismantle their import barriers and exchange controls. While the GATT permission served to lower GDP in low-income countries below what might have been, the permission was nevertheless consistent with the anti-global ideology prevailing in previously colonial Asia and Africa. Consequently, the succeeding rounds of liberalization over the first two decades or so of GATT brought freer trade and the gains from it mainly went to OECD countries. Thus it can be meaningfully said that globalization favored all those (rich countries) that liberalized and punished developing countries that did not.

A number of other factors affecting Africa's exports include the high transport costs which affect the location of manufacturing activity and the freight rates for African exports that are sometimes 20 percent higher than those faced by the region's competitors. For some exports in which Africa has a potential competitive advantage, transportation costs range between 15 percent and 20 percent. For all developing countries the net transport cost to

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[9] For more details see Stephen O'Brien, "Africa in the global Economy: Issues of Trade and development for Africa", Africa Knowledge Networks Forum Preparatory Workshop, 17-18 August, 2000, Addis Ababa, Ethiopia.

[10] These average figures hide a great variability of rates in different African countries. For example Nigeria in 1998 had rates that were generally about 24 percent as opposed to 22 percent for Zambia, and 19 percent for Mauritius.

export ratio is 5.8 percent compared with Africa's average of 15 percent (Yumkella et al).

In summary, the marginalization of Africa in world trade can be directly attributed to a number of causes which can be broken down into external and internal causes. The external causes often mentioned include the terms of trade, developed countries trade policies including the trade restrictions and trade preferences facing Africa and the various changes that have resulted from GATT Uruguay Round of trade negotiations that were concluded in 1995 to the subsequent creation of the World Trade Organization. The internal causes on the other hand include restrictive trade and exchange rate policies, the preponderant of primary products with its price variability, uncompetitive manufacturing production because of high transactions costs among others, and failure to expand the economy at sufficient rates (Rodrik, 1999).

(ii) Capital Flows (Foreign Direct Investment)

There is a lot of empirical evidence in the literature on the role of capital flows in economic growth via changes in investment. There is strong empirical support for a positive link between capital inflows and domestic investment. Bosworth and Collins (1999) study the effects of capital inflows on investment and savings for 58 developing countries in the period 1978-95 using instrumental variables to address the likely endogeneity of capital flows. They concluded that a large proportion of capital flows have been used to finance current account deficit, and that most of the capital flow has been directed to investment not consumption. The overriding evidence supports the fact that capital inflows contribute to growth by stimulating investment and technical progress and promoting efficient financial development. When combined with sound domestic macroeconomic policies, openness to capital flows gives a country access to a much larger pool of capital with which development can be financed. It is known that foreign direct investment speeds up both capital accumulation as well as the absorption of foreign technologies. How has Africa fared relative to the rest of the world? Is Africa fully integrated into the global financial market?

While it is true that Africa has been a leading recipient of development aid (ODA) from both bilateral and multilateral sources for many years, it has not benefited reasonably given its size and endowments from the huge amount of other types of financial flows to developing countries over the last 30 years.

It has been argued that Africa integrated into the global economy in a negative sense: a higher proportion of Africa's wealth is held internationally in the form of capital flight (Collier, 1997). The volume of foreign direct investment totaled $160 billion in 1991 and soared to $1.1 trillion in 2000. Foreign direct investment to developing countries increased from $24 billion in 1990 to $178 billion in 2000. In the period 1980-89 and 1990-98, FDI to Sub-Saharan Africa grew by 59 percent whereas increases to Europe and central Asia, East Asia and the Pacific, South Asia and Latin America and the Caribbean were 5,200 percent, 942 percent, 740 percent and 455 percent, respectively (Asiedu, 2002).

It has been claimed that FDI to Africa halved between the 1970s and 1980s. Over the last twenty years, FDI in the rest of the world grew much more quickly than in Africa (OECD 2001/2002). In 1980, Africa's share of Global stock of FDI was 5.3 percent as opposed to Asia's share of 28.1 percent and Latin America and Caribbean's share of 8.1 percent. By year 2000, Africa's share of Global stock of FDI dropped to 2.3 percent as opposed to Asia and Latin America and Caribbean that increased their shares to 20 percent and 9.6 percent, respectively (See table 8). Foreign direct investment as a percent of GDP has been insignificant and hovered around 1 to 2 percent over the years. In year 2000, the ratio was 2 percent.

The largest recipients of FDI in Africa are South Africa and the oil-producing nations like Nigeria and Angola. Swings in the FDI flow to these countries have major effects on the total flows to Africa. Africa attracted FDI almost entirely for raw materials production and did not take part in the move to globalization that involved a faster flow of industrial investments to developing countries (OECD, 2001/2002).

Africa has been unable to attract enough foreign direct investment despite the fact that the rate of return to investment in Africa has been shown to be higher than other developing countries. Bhattacharya, Montiel and Sharma (1996) showed the net return to investment in Africa is between 20-30 percent as opposed to 16-18 percent for all developing countries. UCTAD (1999) showed that in 1996, the rates of return on United States FDI was 34.2 percent whereas the return was 19.3 percent in Asia and Pacific; and

12.8 percent in Latin America and Caribbean. The low performance of Africa in attracting FDI can be directly attributed among other reasons to the negative perception of the continent's political and economic activities and poor infrastructures in addition to the absence of adequate legal framework for the enforcement of contracts.

(iii) Integration through Migration

The movement of people across borders becomes more pronounced as the world becomes more interconnected, and is expected to ease labor bottlenecks and lead to the transfer of technological know-how. Migration in today's globalized world is also characterized by unequal opportunities and differential human impact. An estimated 175 million people live outside their countries, up from 104 million in 1985 with most living in Europe, Asia, and North America in that order. Over the years and with more vigor in recent times, Africans with skill have migrated to greener pastures in the United States, Canada, the United Kingdom and Saudi Arabia most of them driven by the hostile domestic situation in their respective countries and by the attraction of foreign countries pay package. While there are no readily disaggregated data on the number of Africans in the labor force in the United States, it has however been estimated that about 30,000 African with doctorate degrees and another 250,000 with advanced technical qualifications work in Western Europe and North America (Yusuf, 2000). For a large number of countries workers remittances are a major source of income. In terms of the discussion of the inequality, some points need to be made. The first is that while employment opportunities are opening up for some, they are closing drastically for others. It is only skilled workers who are benefiting from the surge in migration especially from developed countries. Second, with the better wages in developed countries, it has led to big brain drain from developing countries. Third, migration can be an important linkage, which can provide a good relationship between foreign investors and domestic businessmen. Even though some skilled Africans are all over the world, there has not been a significant entry into the global economy mainly because of all kinds of controls to entry for Africans.

(iii) Advances in Telecommunication and Transportation

The current globalization is markedly distinguished from the earlier ones not because of the increasing ease of communications and transportation but also the falling cost of communication around the globe. The major distinction between the old globalization and the new ones lies perhaps in the linkage provided by computerization and the world-wide-web. What is interesting is the ease to which communications link us all together; the ease with which data can be transmitted throughout the world. Through the Internet we can access the stores of knowledge in virtually all the world's computers. The costs of telephone calls have fallen in most parts of the world while the number of telephones has increased.

While the cost of telephone calls have fallen around the world, the telephone sector in Africa however is characterized by low network penetration rates, outmoded equipment and long waiting lists. With the exception of Africa, making a phone call or surfing the Internet has become a central feature of everyday life. Telephone coverage in Africa is among the lowest in the world (ADB, 1996). According to the ADB report, there are about 14 million telephones in Africa out of which 5 million are located in South Africa. In 1996, the average waiting time for telephone was 3.5 years, the highest in the world. Nine countries recorded a waiting time of greater than 10 years[11]. There are significant sub-regional differences. On the average, North African countries have three times the Sub-Saharan rates. The differences among the countries can be associated with differences in per capita income. Countries with higher per capita income have higher penetration rates.

A complete integration into the global economy requires a well functioning and readily available telephone system at affordable costs[12]. A lot of businesses these days are concluded on telephones and the Internet. If Africa remains on the present course with outmoded equipment that frequently break down, with the lowest teledensity in the world; and marginalized from the information and knowledge technology, it will have no chance of competing meaningfully in the global economy.

[11] These were Algeria, Eritrea, Ethiopia, Gambia, Malawi, Mozambique, Sao Tome and Principe, Sierra Leone and Tanzania.

[12] It is known that many African countries have now embarked on the GSM telephone system. While this is good and progressive, the majority of people do not have access because of the cost.

6. HOW IS AFRICA TO BE INTEGRATED INTO THE GLOBAL ECONOMY AND DERIVE MAXIMUM BENEFITS?[13]

(i) Some Stylized facts

Discussing what Africa must do in order to be integrated into the global economy and derive advantages from the process is indeed a tall order. In a way some of the earlier discussions are direct pointers to what needs to be done. It must be stated up front that one of the crucial issues facing Africa is not whether it should integrate into the global economy or not, but rather the form and manner in which it does integrate itself to derive maximum advantage. Africa can benefit immensely from globalization if it positions itself appropriately. A number of points should be made clear on this issue.

First, globalization is not certainly the *panacea* for all of Africa's economic problems as will be shown shortly. Second, one should not get the impression that economic performance among the countries in the continent has been uniform. This is far from the reality of the situation. Indeed there has been great diversity in both the development as well as the external performance of the countries in the continent. Some countries such as Botswana, Republic of Congo, and Equatorial Guinea have been able to attain or surpass a growth rate of 7 percent (ECA, 1999) while other countries after several years of war and disturbances have made substantial gains; some others are still mired in conflict. Third, benefits of globalization can accrue to Africa if she takes advantages of the various channels (indicators) of globalization: trade, capital flows (foreign direct investment), migration and communications. In particular, Africa must grow at a sustained higher rate than it has grown in the past. A vigorous growth strategy is inevitable. New initiatives under NEPAD may be useful. It is unlikely that a liberal trading regime will by itself generate greater volume of trade unless it is accompanied by a first rate economic growth. Fourth, the benefits to be derived by each African country will not be the same as existing conditions (level of education, infrastructure development, macroeconomic stability etc) differ. Fifth, under the present circumstances, Africa exports primary products and does not seem to face important barriers in its exports. Africa has on present policies little to gain from globalization. Africa can however improve its competitiveness in the global economy,

[13] This section draws heavily on my earlier work. See Ajayi (2000 and 2001).

diversify its exports and expand into manufacturing, and attract foreign capital inflow which will bring in new ideas and technology.

We do know that an open trade regime while useful will not on its own however set an economy on a sustained growth path. In a provocative book, Dani Rodrik (1999) said that claims by the boosters of untrammeled international economic integration are frequently inflated or downright false. He argues that openness in the sense of low barriers to trade and free capital flows will not systematically produce the result of increased growth, reduction of poverty and improvement in the quality of life for the majority of citizens of developing nations. The evidences from the experience of the last two decades show that countries that have grown most rapidly since the mid 1970s are those that have not only invested a high share of the gross domestic product but have maintained macroeconomic stability. A number of African countries that have grown in recent times have high investment/GDP ratio. Judged by international standards, the investment-GDP ratio in Africa is low. What is true however is that countries that have grown fast such as Botswana and Mauritius have had much higher investment rates than such countries as Rwanda, Madagascar and Niger. Although some countries have grown more rapidly than their investment rates would indicate, for example, Zambia, these are exceptions, not the rule (Rodrik, 1999). Policymakers have to focus on the fundamentals of economic growth, which are investment, macroeconomic stability, human resources and good governance. While Rodrik concedes that openness can bring indirect benefits to poor countries in the form of the transfer of ideas and technology from the rich to the poor or access to foreign savings, these however are potential benefits which will further a country's economic development only if it can put in place the right domestic institutions and policies.

For Africa, the global economy's potential benefits can only be fully realized when the necessary complementary policies and institutions are in place. Africa must put in place sound macroeconomic fundamentals and accelerate structural reforms that would make its economies less vulnerable to swings in investor sentiments and capital flows. Thus, before Africa can benefit from globalization it must initiate some policy changes. Africa's growth prospects and its full integration into the global economy is dependent on its domestic policies as well as developments at the international level (international policies). The domestic policies address mainly issues related to the growth of Africa in general and to specific issues of involvement in the international economy.

The domestic policies must be predicated upon increasing the participation of Africa in world trade, increasing capital flows, eliminating the riskiness of investment and improving governance etc. While some of these are not strictly new, they need to be emphasized within the concept of the new globalization. The international aspect deals with external forces that impinge on the rate of growth of the African economy from the international sector and how a removal of these obstacles can promote growth through trade, investment or some other mechanisms.

(ii What is to be done in the various Indicators of integration.
a) In the area of Trade

There is need to put in place measures which promote the liberalization of trade. These include the removal of trade barriers and the adoption of appropriate exchange rate policy. We have shown earlier that Africa's trade is mainly in primary commodities primarily because of the fact that the comparative advantage lies in that area. Indeed, there is considerable scope for increasing productivity in this sector. What strategy Africa should adopt in the future is shrouded in controversy. There are two types of arguments both of which are not mutually exclusive. The first set of arguments is that Africa's competitiveness is greatest in domestic resource intensive industries, which can derive benefits from access to locally available inputs and skills. Countries like Malaysia and Indonesia entered the export market with natural resource intensive products while India and Bangladesh are competitive in labor-intensive low-end cotton garments and textiles. Africa therefore according to this argument should concentrate on unskilled labor-intensive primary processing activities. The best short run option is appears to be a focus on primary production base, particularly smallholder agriculture (Njinkeu, 1999). When you look at a country like Mauritius however, it is noticed that it has been able to succeed in manufacturing exports mainly through a reliance on export processing zones.

The second argument is that in the longer run, however, a more determined shift towards the promotion of manufacturing production and exports will be required in order to achieve rapid productivity growth. Industrial performance in Africa has in general been very poor. If Africa is to grow, it must not only diversify its exports into other areas, it must also be interested in manufactured exports. The manufacturing sector of the economy should be targeted through appropriate domestic policies and incentives. This is important because the manufacturing sector holds the key to effective participation of African countries in the global economy on a competitive basis. Currently, less than 3 percent of world trade in manufactured goods and slightly less in services - approximately half of the 1980 levels come from Africa. Comparative advantage in manufacturing constitutes a launching pad into the global economy[14]. Countries that strive to benefit from the global economy must give appropriate attention to the development of the manufacturing sub-sector. It seems clear therefore that Africa's economic development will require a major commitment to policies and institutions, which promote manufactured exports. Such approach was key to the economic growth of many tropical countries in East and South-East Asia.

Dealing with the manufacturing sector in Africa is however not as simple as it sounds. Presently, manufacturing exports in Africa are not competitive for a host of reasons. First, policy has failed to promote the necessary technological capacities or specific learning to enhance efficiency, which are so fundamental to successful industrialization in African countries. Second, the key to successful exporting is the technical efficiency of firms. Efficiency is dependent on policies encouraging innovation, economies of scale and availability of new goods. Third, the African environment is one, which is prone to high transaction costs. Policies have not adequately addressed this aspect and the development of the manufacturing sector is inhibited. It is well known that manufacturing is a transactions-intensive activity. The reason why a lot of African countries' manufacturing sector is low or non-existent is that transactions costs are high.

Transactions costs in Africa are high for a number of reasons. First, many African countries still impose higher tariffs and non-tariff barriers than other countries. Second, international transport costs are higher in Africa than elsewhere. What hurts manufacturers badly is being hit by the high cost of transporting their output to foreign markets and of transporting the materials

[14] From available evidence, the manufacturing and industrial sectors in Africa are not competitive. Only about five countries had a manufacturing share in excess of 20 percent of GDP, in 1997, for example. These were Burkina Faso, Mauritius, South Africa, Zambia and Zimbabwe.

they need from abroad. The high cost is due to a number of reasons. The first is the failure to maintain roads and rail networks. Most African countries have low maintenance culture and would sacrifice national long-term benefits for short-term (sometimes selfish) gains. Second, there is a lack of competition among service providers. Attempts to protect the national airlines for example have resulted in much higher freight charges and inefficiency of delivery than would have been the case if the system were allowed to be competitive. Third, since the courts function slowly and unreliably there are higher costs of contract enforcement. Given this slowness and unreliability, firms find it hard to change to new suppliers and this reduces the degree of competition and thus raises the cost of input. Fourth, the telephone system in Africa as pointed out earlier is known to be the least efficient in the world.

The poor telephone system is a direct impediment to Africa's manufacturing exports. It is more difficult to initiate calls between two cities in Africa than to initiate outside calls. Telephone calls between African countries just like traveling between them is not only costly but also unreliable. As a result of the unreliability of the telephone system and its density, the costs of international calls are particularly high and this constitute a tax on international transactions. Fifth, in some countries in Africa, electricity is unreliable just like the supply of water is. A high price is therefore paid for the supply of electricity because generators are used most of the time. In Nigeria and Uganda for example, electricity supply is the singly most important problem. A third of the manufacturing investment in equipment is for generators. Electricity is in most cases generated for own use than through the government public utility. Subsistence production of electricity imposes very high costs on firms. All these handicaps inhibit Africa's competitiveness in manufacturing exports and keeps firms out of the international markets. A steep reduction in transaction costs will result in private capital inflows into Africa and a shift in comparative advantage toward manufacturing and higher growth (Fischer, *et al*, 1997). It is therefore necessary that the transaction costs identified be eliminated through the adoption of appropriate domestic policies. There is need to provide necessary incentives for all exporters and eliminate all forms of disincentives against them.

Given the small size of the African market, there is need to realize the opportunities presented by regional integration. Increased regional trade offers a means of overcoming the restraints imposed by the small size of markets. Regional integration will increase long-term growth if only it is really trade increasing rather than an attempt to erect new protectionist blocs (Fischer, 2001). For African manufacturing, which are oriented towards the local market and are uncompetitive, increased regional trade can be a first step towards closer integration with the world economy. Regional trade will allow enterprises to gain experience in competing in foreign markets. The promotion of exports in general may involve setting up export promoting zones, duty exception schemes etc.

b) Capital flows

Africa needs to attract substantial capital flows with a long term commitment to the region. Most countries in Africa do not have portfolio investment flows (bonds and equities). Given the need to have funds for development, a number of African countries have set in motion policies which will attract foreign direct investment. This is being done through the liberalization of their investment laws, offering fiscal incentives and easing (or eliminating) the restrictions on entry and profit remittances among others. There is need to strengthen the banking and financial system in Africa in order to ensure that the weaknesses which precipitated the crisis in East Asia is eliminated. Associated with the banking sector is the need to develop the capital market, which is an integral part of the flow of financial resources, needed as a vehicle of integration. Capital mobility has implications for Africa.

c) Other policies

X maintenance of a stable macroeconomic environment. This involves the maintenance of low inflation rate, manageable fiscal deficit, appropriate and stable real exchange rate and the maintenance of a stable and appropriate interest rate.

X investment in human capital: as a result of globalization and the diffusion of new technology, higher levels of education with more flexible sets of skills are required (UNDP, 1997). The new technologies are both knowledge and skill intensive. Intellectual capital is important in an era of globalization. Studies of the sources of growth show that rapid accumulation of human capital - and its more efficient use in key sectors - can be crucial for strengthening a nation's overall performance.

X development of infrastructure: there is need to increase the quality and quantity of infrastructures to stimulate investment and growth. There is some evidence that infrastructure expenditure of African governments is growth enhancing

- X Governance: The quality of governance must be improved since corruption and lack of transparency hinder private sector activity. Corruption can hamper a country's ability to attract FDI as corruption and poor governance drive out investment opportunities. While domestic policy changes are necessary, an enabling environment is a ***sine qua non*** for growth and prosperity.
- X Private Sector Development: In a globalized economy, the role of the private sector cannot be overemphasized. Excessive role of the state in the economy limits the role of the private sector in economic activity. The major role of government should be the provision of the necessary macroeconomic environment and infrastructural facilities for the operation of the private sector. In order to achieve the objective of increased private sector participation in economic activity, some state enterprises are being privatized. It has been suggested that the privatization process will ensure the injection of foreign private capital as well as the attraction of adequate technology and technological-know how, which would give the competitive edge in the global economy.

d) Institutions

The incentive system worked in Asia primarily because of the efficiency of government. In order to apply the lessons adequately to Africa, there is need to build proper institutions. One of such institutions is the civil service structure that needs to be properly trained. No efforts should be spared in building an efficient civil service, which does not strive on corruption and nepotism. As pointed out by Ito (1997), if a bureaucracy is fragile and easily influenced by political pressure, relying on government-led industrial policy will be ineffective. For successful government intervention, a strong meritocracy with an incentive system that is neutral to political forces is required.

Institution is more than civil service. To be included therefore are the role of property rights and the rule of law. The important things are the rule of the game in a society and the conduciveness of such to desirable economic behavior. Given the fact that savings remains the key to investment and sustainable growth, it is clear that strong financial institutions that are sound and well regulated and supervised are essential for the mobilization of funds and efficient management of resource flows that can arise from the global market.

d) External Sector Issues

(i) External Debt issues

There is need to look at the external aspect of the poor macroeconomic performance of Africa. There is ample evidence that Africa's external debt burden is having severe adverse impact on investment and renewed growth (See for example Elbadawi *et al*, 1996; Claessens *et al, 1996)*. As a proportion of exports and GDP the external debt of Africa is the highest of any developing region (UNCTAD, 1998).The external debt burden continues to plague Africa. Many African countries are heavily indebted even though the severity of debt differs between countries. Debt impedes public investment in physical and human infrastructures and deters private and foreign investment (Ajayi, 1999).
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The heavily indebted poor countries (HIPC) initiative was born out of the recognition in the 1990s that a significant number of low-income countries had debt burden that remained above sustainable levels. There are many praises and criticisms of the initiative. The bold steps in the initiative notwithstanding, the African external debt problems remain. The solution to external debt problems of developing countries in general is touchy because of the interwovenness of economics and politics in it. All the different arguments for the various positions notwithstanding, the main point, which should be of great concern with particular reference to globalization and Africa's integration into the global economy, is that the African debt problem has to be seen and undertaken within the context of African development strategy. Thus, the impact of the debt on the performance of the African economies has to be linked to their capacity to alleviate, reduce or totally eliminate poverty. The link between the initiative and debt reduction is recognized and recent discussion on debt has focused on debt forgiveness. In September 1999, the US President, Bill Clinton said in a plenary session "that he was directing his administration to move to forgive 100 percent of the debt owed to the United States by the heavily indebted poor countries when they commit to using the money to finance basic human needs" (IMF Survey vol. 29 No. 19, October, 1999 p.306). A similar commitment was later made by the United kingdom Chancellor of exchequer.

ii) Trade issues: Developing a level playing field?

Agricultural commodities have always enjoyed a special status in world trade and industrial countries have always subsidized agricultural exports. Agricultural subsidies amount to almost $1 billion a day, roughly six times the level of aid to developing countries. It is hypocrisy to encourage poor countries to open up their markets while imposing protectionist measures that cater to powerful special interests[15]. Both the United States and the European Union, which dominate world markets, give heavy subsidies to their farmers. This subsidy no doubt affects developing countries in general and Africa in particular. First, it keeps world prices low so that other producers get less for their commodities. Second, as a result of the subsidies and other connected issues such as standards and quality, developing countries are excluded from the markets of rich countries. Thirdly, African food producers are exposed to dumping in the form of cheap food imports. One estimate suggests that a 30 percent reduction in agricultural subsidy by industrial countries will earn an extra $45 billion a year to developing countries! (UNDP, 1997). In addition to the above, tariffs remain high on the global markets for products of great importance to Africa: textiles and leather. Countries exporting textiles and clothing are limited to specified quotas beyond which high tariffs are applicable. This management of the world trade in textiles and clothing started in 1961 with the Multi-Fiber Arrangement (MFA). The removal of quotas may benefit some emerging African countries. Industrial countries have also erected non-tariff barriers in the form of price supports and special marketing arrangements, all these keep out agricultural products from Africa.

Thus, there is need to match trade liberalization in Africa with the opening of advanced country market to the exports of African producers. In particular, effective protection should be centered on goods of interest to Africa such as clothing, fish processed foods, leather products and agricultural products more generally (Fischer, 2001). This may not be easily achieved. The initiative may meaningfully come from African countries. African countries on their own will need to enhance their access to export markets. The world trading organization offers several opportunities for

[15] For more details on trade access and this assertion see IMF Survey Volume 31 Number 19, October 21, 2002.

Africa's increasing participation in world trade. Africa needs to have a favorable disposition towards the globalizing trade environment. African countries must have a more active, coordinated and strategic participation in trade negotiations in the making and extracting of trade concessions (Yusuf, 2000). Such rounds of negotiations can draw African countries into the main stream of globalization. Even though tariffs have declined as a result of of Uruguay Rounds, trade in textiles and certain agricultural commodities continues to be constrained by both tariff and quota restrictions.

Having access to industrial country markets on a permanent basis would enhance Africa's trade. There has been in recent times favorable developments in improving market access to industrial countries markets. The United States African Growth and Opportunity Act (AGOA) improves Africa's access to U.S. markets, albeit in limited circumstances for a number of goods. Also, the European Council adopted "Everything But Arms" proposal for duty and quota free access for all products from the least developed countries from which Africa can benefit.

7.CONCLUSION

This paper has covered a lot of ground and it is therefore difficult to summarize in some details without a repetition of some of the points already made. At the risk of oversimplification, I will try to briefly summarize as follows.

1.Globalization has brought a lot of benefits to many countries that have embraced the tenets of the indicators of globalization: trade, capital flows, migration, advances technology, advances in telecommunications and transportation. The whole world has to a great extent benefited. Increased international trade and capital flows have been a major source of unprecedented economic growth and rise in living standards globally. There are no successful cases of fast growing countries that followed inward-looking policies. With its multifaceted dimensions, has negative components as well.

2.Globalization has been known to help promote convergence of per capita income among countries. This is more so for the developed ones.

3. Given the initial conditions of different countries, the outcomes from globalization are likely to be different.

4. Africa using all indicators of globalization has lagged behind in the global economy. Africa is not integrated into the world economy in any meaningful sense. Consequently as a result of this, and policies adopted by it, Africa's

growth in GDP per capita has lagged substantially behind all other regional groups and Africa has accumulated the largest number of the world's poor.

5. Africa has a lot to gain from globalization if it positions itself appropriately. Integration into the global economy is however not the panacea for all of Africa's economic ailments. Growth is not based on integration into the global economy alone. Rather growth is based on other factors including the maintenance of macroeconomic stability, high investment/GDP ratio, reliable accounting system, responsible institutions, the development of infrastructures etc. Africa's growth prospects and full integration into the global economy is dependent on its domestic policies as well as developments at the international level.

Table 1: Average annual growth in per capita GDP in regions and countries of the world, 1960-91

	Average annual growth (%)			
	1960-69	1970-79		
Sub-Saharan Africa	1.2	1.6		
Developing countries	1.9	2.3		
Latin America and the Caribbean	2.2	2.3		
North Africa, Middle East, and Asia	2.9	4.0		
Countries of the OECD	4.2	2.6		
World	2.4	2.4		

Source: Nissanke (1997).
Note: GDP, gross domestic product; OECD, Organisation for Economic Co-operation and Development.

Table 2: Annual Growth in GDP per capita in Selected regions,180-2000.

Years	SSA	East Asia &Pacific	Latin America	South Asia	High Income	Least Dev.count
1980	2.52	2.22	4.11	4.01	0.59	
1981	1.41	4.51	-2.76	4.64	9.8	
1982	-3.6	4.67	-3.36	1.82	-0.29	-0.51
1983	-4.51	7.01	-4.38	4.58	2.27	-0.44
1984	0.94	6.98	1.95	1.86	3.92	-0.53
1985	-3.32	4.77	0.93	3.39	2.92	-0.7
1986	-1.01	6.06	3.18	2.56	2.42	0.83
1987	-0.06	7.46	1.51	2.54	2.78	0.77
1988	1.35	8.04	-1.46	6.38	4.05	1.16
1989	0.02	4.67	-0.87	3.63	3.15	-0.32
1990	-1.83	5.21	-2.44	3.4	2.13	-0.22
1991	-2.37	6.85	2.39	-0.54	3.74	-1.18
1992	-3.87	7.46	1.68	3.69	1.05	-1.57
1993	-1.49	7.62	2.45	2.58	0.21	-0.99
1994	-0.02	8.42	3.42	4.79	2.14	-0.42
1995	1.3	7.96	-0.15	5.04	1.62	3.44
1996	1.9	6.72	1.94	4.49	2.04	2.51
1997	0.52	4.78	3.49	2.22	2.4	2.17
1998	-0.21	-2.47	0.54	3.48	1.87	2.01
1999	-0.05	5.79	-1.44	4.41	2.17	2.28
2000	0.62	6.37	2.27	2.26	2.8	2.44
AVG.80-90	-0.74	5.6	-0.33	3.53	3.07	0.004
AVG.91-2000	-0.37	5.95	1.66	3.24	2.00	1.07
AVG.82-92	-1.66	6.29	-0.08	3.03	2.56	-0.25
AVG.80-2000	-0.56	5.77	0.62	3.39	2.56	0.56

Source: World Bank, World Development Indicators, 2002.

Note: Least Dev Count = Least developing Countries

Table 3: Population living on less than $1 a day

Number of People living on less than $1 a day

	1987	1990	1998(now)	1998 GDP2002
East Asia and the Pacific	417.5	452.4	267.1	278.3
Eastern Europe and Central Asia	1.1	7.1	17.6	24.0
Latin America and the Caribbean	63.7	73.8	60.7	78.2
Middle East & N. Africa	9.3	5.7	6.0	5.5
South Asia	474.4	495.1	521.8	522.0
SSA	217.2	242.3	301.6	290.9

Source: World Bank data base

Table 4 Regional Shares in World Exports, 1980-2001

YEAR	AFRICA	ASIA	M.EAST	IND.COUN	DEV.COU
1980	4.93	8.18	10.50	65.01	34.99
1981	4.12	9.02	11.01	63.80	36.20
1982	3.74	9.57	9.32	65.38	34.62
1983	3.80	10.27	7.65	66.18	33.82
1984	3.58	11.18	6.47	66.54	33.46
1985	3.47	10.91	5.43	67.91	32.09
1986	2.78	10.96	3.66	72.16	27.85
1987	2.60	12.09	3.76	71.41	28.58
1988	2.32	13.00	3.20	71.47	28.53
1989	2.31	13.35	4.11	70.36	29.63
1990	2.44	13.06	4.47	71.37	28.63
1991	2.28	14.52	3.87	70.88	29.12
1992	2.11	15.48	3.82	70.54	29.46
1993	2.00	17.04	3.58	69.01	30.99
1994	1.85	17.82	3.34	68.06	31.94
1995	1.82	18.07	3.11	67.72	32.28
1996	1.96	18.08	3.47	66.70	33.30
1997	1.94	18.62	3.40	65.88	34.12
1998	1.69	17.97	2.76	67.41	32.59
1999	1.78	18.46	3.24	66.38	33.61
2000	1.97	19.75	4.41	62.98	37.02
2001	2.02	19.25	4.33	63.17	36.84
1980-90	3.28	11.05	6.33	68.33	31.67
1991-2001	1.95	17.73	3.58	67.16	32.84

Source: Data from IMF International Financial Statistics yearbook, 2002

Table 6 Manufactures share in Exports of Selected regions

MANUFACTURES SHARE IN EXPORTS, 1995-2000

	SSA	E.ASIA&P	S.ASIA
1995	34.03	78.87	76.35
1996	32.96	80.28	75.67
1997	36.99	79.66	77.49
1998	34.98	81	78.43
1999	35.95	83.04	79.63
2000	36.13	82.75	

SOURCE: WORLD BANK: WORLD DEVELOPMENT INDICATORS, 2002.

Table 7 Regional Tariff Rate (Unweighted in percent)

Region	Year	All Goods	Agriculture	Manufactures
East Asia	1994-99	9.8	13.9	9.4
South Asia	1996-99	27.7	26.3	9.4
SSA	1993-99	16.5	19.2	16.0
M.East&N.Africa	1995-98	14.4	20.8	13.2
Transition Europe	1996-99	9.6	15.7	7.8
Latin America	1995-99	10.1	13.8	9.5

Source: WTO and Trade policy Review, various years.

Table 8: Share of Global Stock of FDI, in percent

	1980	1985	1990	1995	1999	2000
Developed countries 1/	58.2	60.1	73.5	69.3	63.5	65.8
Developing countries 2/	41.8	39.9	26.3	29.4	34.5	32.2
Africa	5.3	3.8	2.6	2.6	2.7	2.3
Latin America and the Caribbean	8.1	8.9	6.2	6.9	10.0	9.6
Developing Europe	0.0	0.0	0.1	0.1	0.2	0.2
Asia	28.1	27.0	17.4	19.8	21.5	20.0
The Pacific	0.2	0.1	0.1	0.1	0.1	0.1
Central and Eastern Europe	0.0	0.0	0.2	1.2	2.0	2.0

Source: World Investment Report (WIR).

1. For expositional purposes, excludes South Africa; WIR includes South Africa in the list of developed countries.
2. For expositional purposes, includes South Africa; WIR includes South Africa in the list of developed countries.

TABLE 9: AFRICA'S FDI-GDP RATIO, SELECTED YEARS, 1980-2000

YEAR	FDI/GDP
1980	0.011
1981	0.671
1982	0.651
1985	1.025
1986	0.509
1994	1.229
1995	1.397
1996	1.349
1997	2.384
1998	1.989
1999	2.519
2000	2.153

Source: World Bank, World Development Indicators, 2002.

FIG 2A: TERMS OF TRADE, GOODS

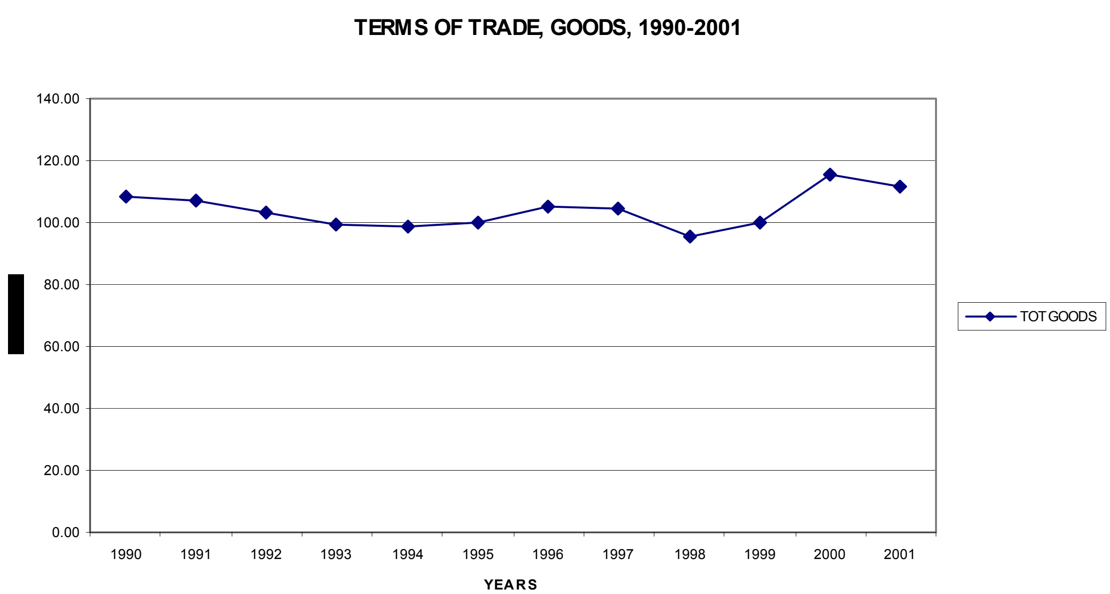
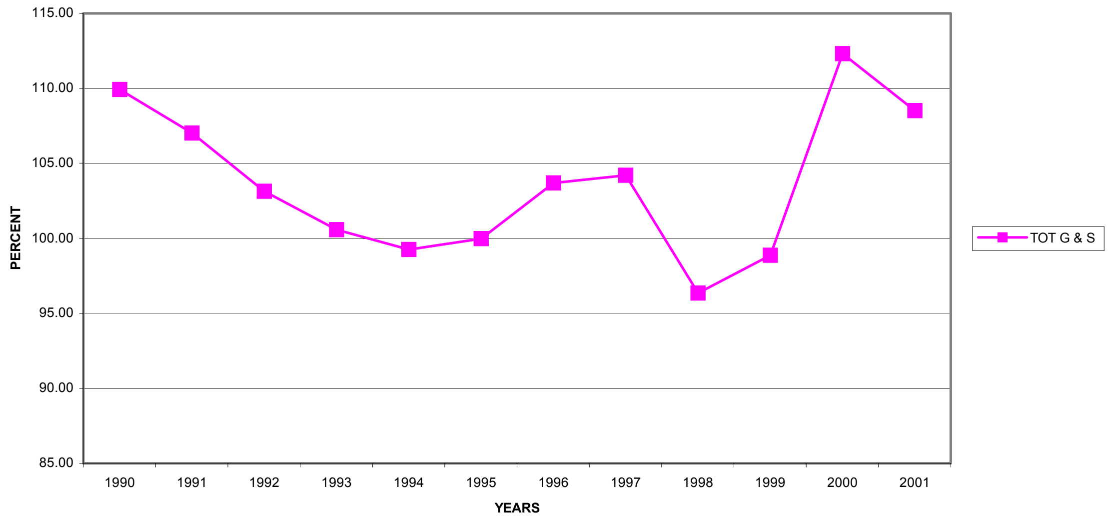
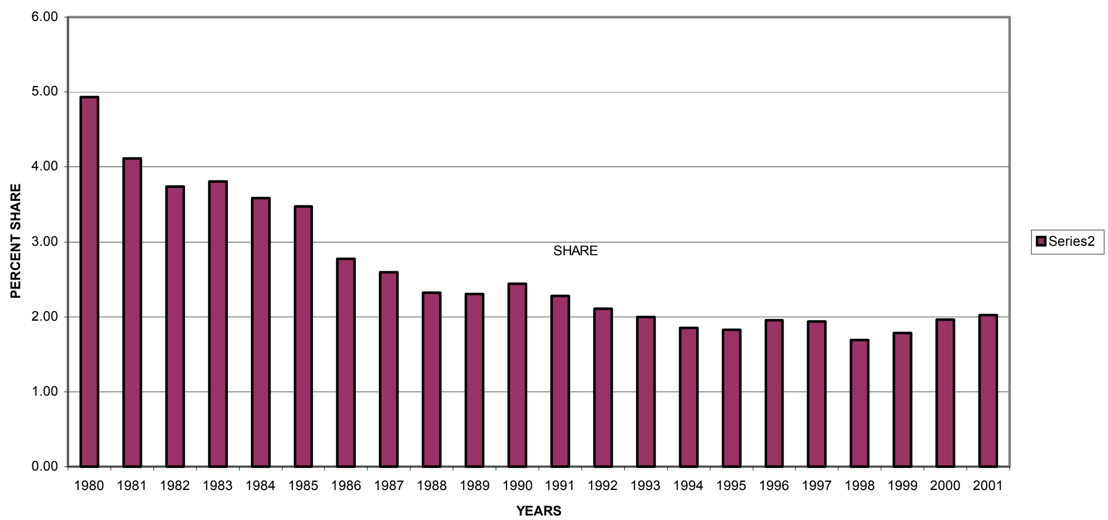


Fig 2B; TERMS OF TRADE, GOODS AND SERVICES

TERMS OF TRADE, GOODS AND SERVICES, 1990-2001



AFRICA'S SHARE IN WORLD EXPORTS, 1980-2001



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