

Three key markers show globalisation is sidelining Africa

A gap that keeps widening

GROWING PAINS

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"Globalisation" expresses the fact that the world's interconnectedness has grown at a tremendous pace over the past two to three decades. But the process has had, and will continue to have, a different impact on different regions.

The world's most economically challenged region remains sub-Saharan Africa. Three key markers – trade flows, technological change and cross-border capital flows – suggest globalisation has further marginalised this region.

Since the early 1980s trade volumes between the developed and developing world have grown significantly. While developing world exports grew by 2,1% in the 1980s, this increased to 9,4% in the 1990 to 1998 period, peaking at 10,8% in 1997/98.

Similarly, imports to developing countries grew at an average 2% during the 1980s, but more than quadrupled during the 1990s to about 9,5%.

However, if we measure trade flows as a percentage of gross domestic product (GDP) and, more importantly, according to income classes in

the developing world, a different picture emerges. While middle-income countries saw their trade as a percentage of GDP grow by about 60% between 1990 and 1998, for low-income economies it was a fifth of this - about 12%. Over this period of intensive globalisation, sub-Saharan Africa's trade-to-GDP share fell from 17,1% in 1990 to 16,8% in 1998.

In other words, a significant cohort of very marginalised poor countries, concentrated in Africa, are not responding to the impulses of globalisation.

The past two decades have seen a proliferation of information and communication technologies (ICT), which enable firms to improve internal efficiency, increase productivity and close the geographical distance between buyer and seller. During the 1990s telephone usage in the East Asia and Pacific region increased by 338% and personal computer use by 600%.

While Internet hosts increased by more than 500% in Latin America and the Caribbean in the 1990s, the adoption rate in Africa was 34%. There are 123 telephone mainlines per 1000 individuals in the former region, 14 for sub-Saharan Africa.

In 1990 the region had a greater spread of telephone mainlines than South Asia. Eight years later the position was reversed.

Poor accumulation of and access to technology may hinder the full exploitation of trade and investment flows. Compounding the low ICT stock in pre-globalisation sub-Saharan Africa has been a very low rate of technological change and upgrading relative to most other developing regions.

Another trend since the 1980s has been the growth of private capital flows and foreign direct investment (FDI) into the developing world. The ICT revolution, the increase in asset class categories open to foreign investors and the more active behaviour of multinational corporations has spurred this.

FDI and net private capital flows grew far more rapidly than trade flows. While low-income country FDI grew by more than 350% between 1990 and 1998, trade-to-GDP ratios grew by 12%.

Figures for net private capital flows by region indicate a massive rise in the Middle East and North Africa,

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where net flows increased by more than 2 000% in the eight-year period off a low base. In Latin America and the Caribbean, net private capital flows and FDI flows increased by 922% and 747% respectively.

Despite the 423% increase in FDI flows for sub-Saharan Africa over the period, as a share of total FDI flows, the growth rate was far below that of the Latin America and the Caribbean and East Asia and the Pacific regions.

In 1998 sub-Saharan Africa received 0,7% of all FDI recorded in the world. The figure for Latin America and the Caribbean was 11% and East Asia and the Pacific, 10%.

Added to this is the unevenness in flows within regions, nowhere more evident than in sub-Saharan Africa. More than a third of all flows into the region are accounted for by South Africa and Nigeria.

This is not an argument for trying to roll back globalisation, but a crucial signal for policymakers, heads of state and the donor community to try and prevent Africa's further exclusion.

Too often, the debate has been polarised between the pro-globalisers and anti-globalisers. A more tempered view aims to understand and tackle the imbalances in the world

trading system, while recognising that trade and globalisation are essential for economic growth.

For example, there is clearly a large gap between the rhetorical support of the developed world for "free trade" and the reality of their trade policies, pursued through bodies like the World Trade Organisation.

Subsidies to European farmers that undercut imports from developing countries are a case of how protectionism harms Africa. The persistence of tariff peaks in products such as apparel, leather, footwear and dairy products highlights the need to pursue fair trade through negotiations.

However, fairer trade is a necessary but not sufficient condition for ensuring that sub-Saharan Africa reaps some benefits of globalisation. Many African economies lack the "tools" essential for trade participation, including a well-developed transport infrastructure, functioning ports, functioning financial and credit markets and skilled workers.

Also essential are the elements of so-called "public social capital", including courts of law, contract enforcement mechanisms and low levels of corruption.

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