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Is globalisation good for Sub-Saharan Africa? Threats and Opportunities

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Is Globalisation Good for Sub-Saharan Africa? Threats and Opportunities

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**Is Globalisation Good for Sub-Saharan Africa?
Threats and Opportunities**

Summary

This paper reviews the effects globalisation has on the economic prosperity of sub-Saharan Africa, on a global information economy context, and in particular, the threats that globalisation has brought about as well as, the opportunities that are likely to emerge because of it. The fundamental shift in the nature of the global economy backed up by viable strategies, acting within the realities of globalisation and information economy open-up new windows for latecomers, and enables them converge the gap by capitalising on the opportunities it offers. In order to narrow the gap created by globalisation, disadvantaged regions such as the SSA need to create “spaces of globalisation” by re-orienting their geographic areas, thus taking full advantage of the information economy by developing information infrastructure and knowledge workers in their respective countries. This re-orientation should also include the development of a comprehensive strategic vision that enhances the potential of globalisation and the information economy within the geographic space.

Due to the rapid change in the general process of industrialisation and export-led industrial growth in particular, determinates of competitiveness are not resource endowed but knowledge and skill driven. Empirical evidence has shown a close correlation between economic growth and export expansion proving that the fastest growing economies are those, which position themselves as favourable business partners, endowed with investment friendly locations, and rapidly expanding export. A country’s ability to export processed or high-valued products doubles when it emerges as knowledge-intensive and skill-intensive in its share of manufactured exports in a given region. This works possible with increased access ability to learning and technology. Thus, the analysis underscores the importance in production diversification and structural improvement in order to absorb the benefits global information economy offers.

1. Introduction

The most visible features of globalisation have been the massive increases in international trade flows and investment particularly in the late 1980s. In the 1990s, foreign trade and foreign direct investment have been the principal propellants of rapid economic growth and structural transformation in emerging economies.

Over the ten years period from 1985 to 1994 the ratio of world trade to GDP rose more than three times more rapidly than during the ten previous years, while the ratio of foreign investment to GDP doubled. The current phase of globalisation is induced by a quantum jump in the incidence of technical progress, organisational innovations such as flexible production systems, new information and telecommunications technologies, enhanced efficiency in supply chain logistics and enabled functional integration of transactional strategies of production, marketing, outsourcing and increased intra-firm trade. These forces of globalisation enable even small firms to participate effectively in international specialisation.

While most other regions have derived significant benefits from growth in trade and investment fuelling their structural transformation, sub-Saharan Africa -SSA has been bypassed, and further marginalized within the world economy. Its shares of world trade, investment and output have declined to negligible proportions, varying from 4.1% to 4.9% from 1960 to 1965, and maintaining the fluctuation level of around 4.4% during the 1970s, while the 1990s saw the trade share decline to 2-3%. By 1996, SSA's share of global trade had fallen to 1.5% of which approximately 0.6% represented South Africa's contribution and shares of world exports had declined from 2.6% in 1980 to 1.5% in 1996¹. SSA's share of global manufactured output has been less than 5%. In contrast, the ratio of aid to GDP in SSA has declined, but in overall, it remains much higher than in any other region.

An aspect relevant to globalisation is the increasing internalisation of the production, distribution and marketing of goods and services. This comes as the result of the globalisation of financial and capital markets, increased flows of FDI, the rapid diffusion of information by new communication technology and the adoption by trans-national enterprises of new organisational forms of production such as the trend towards downsizing, and increased use of sub-contracting. This has made it evident that industries linked to information technology are more able to take advantage of global market opportunities. It might well be known that, by bringing information to buyers and sellers', through the worldwide information technology

¹ P. Collier, Globalisation; What Should be the African Policy Response, Mimeo, CSAE, Oxford University, 1997

has contributed to the globalisation of demand and consequently it has led to the globalisation of competition. This can be possibly understood as follows; when the globalisation of competition involves both the price and quality of goods and services, in specialised niche markets quality is more important than price, in high volume standard products, delivery and price are likely to remain important factors. The work will then go to look at both the treats and opportunities created by globalisation and the ways in which they affect the economic prosperity of sub-Saharan Africa.

2. Threats

In a study carried out by Easterly and Levine² for the World Bank shows that the underdevelopment of infrastructure contributes much towards the significant negative impact on the SSA's exports and the location of manufacturing activities. Such factors, as high transport costs and low rate of telephone completion that are prohibitively expensive compared to other regions do no good to the competitive advantage of the region's trade. For example, local telephone completion rate is under 30 percent compared to the 70 percent in OECD countries, in Chad with 15,000 telephones; over 90 percent of all are uncompleted. Amjadi et al³ further argue that the freight rates for SSA's exports are sometimes 20% higher than those faced by the region's competitors. For some exports in which SSA has a potential competitive advantage- textile industry, clothing, and footwear, transportation cost range between 15% and 20%. For all developing countries the net transport cost to export ratio is 5.8 % compared with SSA's average of 5%. What one is possibly able to deduce from this information is that without much investment in the improvement of the infrastructure sector that could ease the flow of manufactured goods and services from one region to another, SSA's export advantage will not see much improvement.

The determinates of competitive advantage change rapidly the process of industrialisation in general and of export-led industrial growth in particular is driven not by resource endowment but the knowledge and skills. Empirical evidence lending credence to a close correlation between economic growth and export expansion show that the fast growing economies are those, which have positioned themselves as favourable business partners,

² W. Easterly and R. Levine, Africa's Growth Tragedy, World Bank Research Paper No 1503, August 1995

³ A. Amjadi and A. Yeats, Have Transports Costs Contributed to the Relative Decline of Sub-Saharan Exports? World Bank Research Paper, 1995

investment friendly locations, and which have expanded export rapidly. This can be summarised as follows:

Table 1: Growth of GDP and Export in Developing Regions, 1991-1997

Growth of GDP and Export in Developing Regions, 1991-1997		
Region	Regional GDP growth 1991-1997 percent. p.a.	Real export growth 1991-1997 percent. P.a.
East Asia	9,9	15,2
South Asia	5,7	11,1
Latin America and the Caribbean	3,4	9,7
Middle East and North Africa	2,9	4,2
Sub-Saharan Africa	2,2	2,6

Source: World Bank, Global Economic Prospects and the Developing Countries, Washington D.C. 1998/99, Pp177-191

The ability of a country to export processed or high-valued products plays a crucial role. In emerging knowledge-intensive and skill-intensive global markets, a country’s or region’s share of manufactured exports is a measure of its access to learning and technology. As Bhala and Berry suggest ⁴ a more appropriate indicator of learning and the effects of modern technology is the share of manufactured exports that fall in the category of high value-added products. In percentage terms, this can be summarised as follows; SSA’s share is less than 2% compared to East and South East Asia at 40%, Latin America 10%, South Asia 5% and the Middle East and North Africa 3%. Lall⁵ goes further to show the importance of exports in processed and knowledge-intensive goods, backed up by domestic economic reform policies, technology policy, and knowledge-intensive enhancement strategies for export-driven growth in the Asian Economies. He continues to argue that small markets, low per capita incomes and backward technologies in sub-Saharan Africa underscores the importance of accelerating foreign trade, if significant economic and industrial transformation is to take place. Table II gives a clear cut of the manufacturers export shares in percentage.

⁴ B.S Bhala and R.M. Berry (eds) in K. Yumkella, et al, Globalisation and Structural Transformation in Sub-Saharan Africa, Workshop Agricultural Transformation in Africa, Nairobi, Kenya, June 27-30 1999

⁵ S. Lall, Exports of Manufactures by Developing Countries; Emerging Patterns of Trade and Location, Oxford Review of Economic Policy, Vol. 14, No. 2, 1998, Pp 39-60

Table 2: Regional Shares of Developing Countries Manufactured Exports, 1980 and 1996 (percentage)

Regional shares of developing countries manufactured Exports, (1980 and 1996 (percentage))		
	1980	1996
TOTAL		
Asia	78,1	78,4
Latin America	7,6	16,7
Sub-Saharan Africa	7,0	1,4
Middle East	7,4	3,5
RESOURCE-BASED		
Asia	60,4	64,8
Latin America	13,9	27,7
Sub-Saharan Africa	1,0	2,6
Middle East	14,7	4,9
LOW-TECHNOLOGY		
Asia	89,2	79,7
Latin America	3,6	12,1
Sub-Saharan Africa	4,9	1,7
Middle East	2,3	6,5
MEDIUM TECHNOLOGY		
Asia	73,7	66,6
Latin America	8,5	28,1
Sub-Saharan Africa	8,4	2,5
Middle East	9,4	2,8
HIGH TECHNOLOGY		
Asia	96,6	88,6
Latin America	1,6	10,6
Sub-Saharan Africa	11,0	0,2
Middle East	0,7	0,5

Source: Sanjaya Lall, Exports of Manufactures By Developing Countries; Emerging Patterns of Trade and Location, Oxford Review Of economic Policy, Vol. 14, No. 2, 1998, Pp. 33-60

After nearly two decades of stagnation and decline sparked by the global oil-shock of 1973 and 1979/1980, many SSA countries failed to take appropriate adjustments at the time exacerbating the crisis. Few countries were prepared to face the series of external shock that started buffeting their economies in the early 1980s; thus resulting in a most severe economic downturn for the continent as a whole, which most countries are to emerge yet. It was not until 1995 that the SSA economy began to recover. This came to be referred to as “recovery” rather than growth due the low level increase of per capita income today than it was a decade ago. One reason given to this improved growth performance is the recovery of the manufacturing industry. SSA’s manufacturing industry, which is mainly dominated by production for domestic demand and the processing of raw material for export, continues to suffer backlashes in terms of global trade.

Trade is an important engine in economic growth and plays an important role in the development of poor countries. Unfortunately, the rules governing global trade are geared towards the corporate and political interests of the North, resulting in a high unequal distribution in the benefits of world trade. Foreign trade, like in foreign investment, is concentrated in the triad. As an example of the intertwining of trade flows, in 1992 the EU exported goods and services worth 95 billion US dollars to the United States and imported 111 billion US dollars worth of goods and services. The EU exported 96 billion US dollars worth of goods and services to the Asian pacific region and imported 153 billion US dollars worth of goods and services. As for the United States, it exported goods and services worth 128 billion dollars to the pacific region and imported a staggering 215 billion dollars worth of goods and services⁶. If one adds financial interdependence, technology transfers and alliances, joint venture between firms, it is obvious that the core of the global economy is a tightly interdependent network among the United States, Japan, and the EU. Around this triad of power, wealth, and technology, the rest of the world is organised in a hierarchical and symmetrical interdependent web, as different countries and regions compete to attract capital, human skills, technology, and markets for goods and services.

SSA’s recent industrial performance has been weak. Growth of manufactured value-added-MVA- averaged only 3 percent per year in real terms from 1980 to 1993, and its contribution to GDP has slowed steadily over the period, from 3.7 per year in the first half of the 1980s to 2 percent annually in 1989-1993. While industry accounted for about 30 percent of output compared to 37 percent for all low and middle-income countries worldwide. Export from the

⁶ United Nations Conference on Trade and Development, UNCTAD, Foreign Direct Investment in Africa; Performance and Potential, New York 1998, Pp. 141-161

region reflecting a performance almost zero, mirroring the level of underdevelopment in SSA's industry, as export performance is a powerful indicator of productivity and competitiveness⁷.

Over the last three decades, the trend in raw material prices has been on a downward slope, with the decline especially sharp during the 1980s. This trend caused, in considerable measure, by a decrease in the rate of growth in world demand for these materials. In turn, the lower rate of growth in world consumption reflects a major change in the structure of world demand brought about by technological change and a shift in the composition of world output. Although these developments have had an adverse impact on raw material producers in all countries, their effects have been especially severe for SSA countries that are heavily dependent on raw materials for their foreign exchange earning. The composition of output in industrial countries has been shifting from agriculture and manufactures to services. Since raw materials constitute a much smaller proportion of the value of services than they do of agriculture and industrial production, the shift in production composition has significantly contributed to the decline in the growth of world demand for raw materials⁸.

Moreover, conservation in the use of materials and the substitution of new materials for traditional ones has also contributed heavily to the reduction in consumption of raw materials exported by SSA countries. Most substitutions do not involve an increase in demand for one raw material that offset a decrease in demand for another raw material of equal value. Instead, such substitution entail replacing a traditional raw material with either a synthetic one or, if with the exception of natural rubber, all agricultural raw materials were less competitive in relation to synthetic in the 1980s and 1990s. In a study carried out by Mikesell⁹, shows that over the last 20 years, conservation and substitution of traditional metals has occurred very rapidly due to developments in material technology and requires for new and improved products. High-strength, low-alloy steel has replaced carbon steel and cast iron for subsequent savings in car weight. In addition, aluminium has replaced copper and plastics, and composite materials have been substituted for metals in auto production. Metals technology has produced thinner-walled and smaller-gauged copper tubing, and the revolution in the design of electrical and electronic circuits has resulted in a reduction in the use of copper wire. Above all, the conversation of telephone lines from copper wire to fibre-optic cable is likely

⁷S. Lall and F. Stewart, Trade and Industrial Policy in Africa, in B. Ndulu et al (eds) Agenda for Africa, New Brunswick, Transaction publishers, 1996, Pp. 179-210

⁸R Mikesell, The Changing Demand for Raw Materials, in J. Sowell and S. Toker (eds), Growth, Exports and Jobs in Changing World Economy, New Brunswick, Transaction Books, 1998, Pp. 139-166. Also see N. Clark and C. Juma Biotechnology for Sustainable Development, ACTS Press, Nairobi, 1991

to have a devastating impact on copper-dependent economies such as Democratic Republic of Congo and Zambia. Thus, the future of primary commodity exports is at stake.

According to Castells¹⁰, more economic growth depends on high-value-added inputs and expansion in the core markets, then the less relevant become the economies which offer limited difficult markets and primary commodities that are either beginning to be replaced by new materials or devalued with respect to their overall contribution to the production process. With the absolute costs of labour becoming less and less important as a competitive factor, many countries and regions face a process of rapid deterioration that could lead to destruction reaction. Within the framework of the new international economy, a significant part of the world population is shifting from the structural position of exploitation to a structural position of irrelevance.

Trade relationships between SSA and Europe have been unbalanced in most circumstances, thus a close look into it would serve the purpose in relation to the opportunities that may arise if an equilibrium point was met. In order to have guaranteed supplies of raw materials at stable prices, beginning in the 1975, the European Union entered into several development cooperation pacts with its former colonies in Africa, the Caribbean and the Pacific thus referred to ACP, this arrangement came to be known as the Lome Convention. As of 2000, about 92 percent of the products originating from ACP countries entered the EU markets duty free. If Agriculture products, which were subject to tariff quota with zero duty, are included -protocol products such as sugar, beef, bananas, and rum- this percentage raises to about 99 percent. The only exceptions are products that fall under the Common Agriculture Policy –CAP, such as tomatoes, carrots, onions etc. whereas majority of the EU exports to ACP countries consists of manufactured and capital goods, ACP countries export largely agricultural raw materials, minerals and crude oil.

Despite the preferential access to the EU market that was offered under various Lome Convention, ACP exports to Europe deteriorated during those two and half decades of trade and aid cooperation. The ACP's shares of total EU imports fell from 6.7 per cent in 1976 to 3 percent in 1998. This reflected the declining share of ACP in world trade, which was cut in half from 3 to 1.5 percent during the same period. In volume terms, ACP exports grew by less than 4 percent, while those of non-ACP developing countries as a group, the cumulative terms of trade losses amounted to 290 billion US dollars between 1980 and 1991. Much of this

⁹ Ibid.

¹⁰M. Castells, *Information Economy, and the New International Division of Labour* in M. Carnoy, et al (eds) *The Global Economy*, University Park, PA, Pennsylvania State University Press, 1993, p. 37

catastrophic fall was due to the decline in real commodity prices. In 1990, for example, they were 45 percent lower than in 1980 and 10 percent lower than the lowest process during the great depression in 1932¹¹.

The Lome Convention had put in place the commodity export stabilisation programme, STABEX that was deliberately offered as an alternative to the UNCTAD IV demand for commodity price stabilisation. The scheme covered 44 commodities, all of which were either unprocessed or semi-processed. Like an insurance scheme, it was designed to compensate for export earning shortfalls of selected commodities. Only when export earning fell below 7.5 percent of the average for the previous four years would the country in question request a financial transfer. Even then, such transfers could be denied when it was in the opinion of the EU that the decline in export earning was caused by a trade policy that discriminated against the EU. A policy, for example, that directs primary commodities towards domestic processing and that discourages the exports of such commodities in their raw state can be considered discriminatory. Whereas Lynn and Langdon¹² believe that, the STABEX system was both an incentive to maintain present levels of production in these specific commodities and a disincentive to diversify commercial agricultural production, process raw materials locally, or develop domestic food production into line.

In addition, and because of the above structural constraints, most ACP countries, particularly SSA countries, failed to diversify their exports into non-traditional products. The few countries that have made modest efforts towards diversifying into garments, fresh fruits, flowers, and vegetables are finding the going to be equally difficult. The market niches for non-traditional exports are highly competitive. They require connections to the complex international commodity networks, which continually draw new entries from countries worldwide. Moreover, products for new market niches are highly perishable. They require expensive transportation, are subject to wide-ranging price fluctuations, and they entail risks for producers. The vast majority of traditional agricultural exports are negative to temperature rather tropical climates. This advantages only most SSA entrepreneurs, whose knowledge is essentially of local tropical crops. The above features, combined with the need for large

¹¹ S.M Rugumamu, EU-ACP Partnership; An Appraisals, Cooperation South No. 2, December 1999b Pp. 45-56

¹² L. Mytelka and S. Langdon, Africa in Changing World Economy, in C. Legum (eds) Africa in the 1980s A Continent in Crisis, New York, McGraw-Hill Publishers, 1979, p. 179

capital investment, contribute to the dominance of large foreign firms, which local people serve as low-wage labourers¹³.

SSA economies have failed to become competitive in the EU markets, as some observers have concluded; the preferential treatment enjoyed by ACP countries has not been sufficient to develop their trade. Indeed, the structural factors inherent to the Euro-African relation appear to have limited the intended effects of preferences. As earlier noted, there is mounting evidence to suggest that the developments of science and biotechnology that are taking place in Europe are swiftly eroding SSA's traditional comparative advantage in the current international division of labour. Clark¹⁴ concludes that already key agricultural crops such as sugar, cocoa, cotton and timber are competing with EU's biotechnologically engineered substitutes, which are often stronger, more versatile, and easier to work with. All these primary commodities can be switched and substituted whenever either the supply of one commodity fails or the price rises. Viewed retrospectively, therefore, one can safely argue that the ongoing technological transformations in the global economy are likely to reduce SSA economies to a position of structural irrelevance.

Similarly, the agricultural and textile sectors, in which poor SSA countries are most competitive, are subject to a prohibitive array of high and escalating tariffs, quotas producer price supports, exports subsidies, and seasonal restrictions. The Multi-Fibre Arrangement is expected to remain in place until possibly after January 2005. This is an example of how the rich and powerful suspend their belief in the law of comparative advantage when it suits their perceived interests. At the same time, whereas the current WTO rules on agriculture require poor countries to liberalise their markets, they allow industrialised countries to subsidise and dump their agricultural exports in Africa. In West Africa, for example, a flood of cheap European tomato concentrates and meat has seriously undermined the local tomato and meat industries.

Moreover, the protective Rules of Origin in the EU have equally undermined SSA's prospects for industrialisation. The Rules of Origin have been particularly problematic as they stipulate that ACP exports must have 50 percent value-added created in ACP states and/or the EU. Given the very low level of industrialisation in most SSA countries, a requirement of 50 percent value-added is a highly restrictive and particularly onerous. Most of SSA's processed and manufactured products do not benefit from the Lome Convention's free access provision

¹³ T, Klak, *Theses on Globalisation and Neo-Liberation*, edited in his Book *Globalisation and neo-liberalism, the Caribbean Context*, Lanham, MD, Rowman and Little Field, 1998, Pp.1-28

because they have only between 20 to 48 percent-value-added as a portion of their gross value comments Twichett¹⁵ and Ravenhill¹⁶. Various observers have nodded in unison that considering the Rules of Origin as one major disincentive to SSA has helped the region leapfrog its economy in missing out, over diversification and industrialisation.

Continued voices have been raised, pointing out the existence of a “safeguard Clause” which allows EU, member states to make derogation from the guarantees of free access if their markets are threatened by products from SSA. The presence of this clause introduced considerable uncertainty into the Euro-African trade relationship. Trevor¹⁷ notes that the United Kingdom invoked the safeguard Clause to Mauritius to conclude a voluntary export restraint against its textile exports to the community. The implication of this decision went beyond this sector; no potential investor in the ACP countries could be certain of access for future production and exports to the European market if there was a possibility that such exports might adversely affect European interests. In a similar protection stance, the EU put in place an upward harmonisation of European-wide technical standards for import. This policy moves as noted by Schuler and Finger¹⁸, have the potential of excluding SSA’s exports. In fact, the EU has constantly invoked sanitary and Phyto-sanitary measures to bar SSA’s Product such as fish and meat products. They further comment that, the WTO obligations reflect little awareness of development problems and little input from the least developed countries, thus undermining their sense of ownership. More fundamentally, it is clear that all these standards are ideal for the least developed countries, and there is an ever-present danger that they will be used to protect EU markets.

In addition, as knowledge becomes much more important in modern economy, the “knowledge gap” with and between countries is rapidly growing. WTO agreements on intellectual property rights-IPRs significantly increase the length and scope of patent protection for many countries. Its rules, grants companies a 20 year monopoly on knowledge, far beyond the useful life of most new technologies, thus creating unfair barriers to new competitors from poor countries. Under the recently concluded Uruguay Round, the protocol relating to the so-called “Trade Related Investment Measures”- TRIMS and “Trade Related

¹⁴ N. Clark, Development policy, Technology Assessment and the new Technologies, Futures Vol 22 No 9, 1990, Pp. 913-931

¹⁵ C. Twichett, Towards a New ACP-EEC Convention, The World Today, London, Vol. 34, No 2, 1978, p. 475

¹⁶ J. Ravenhill, The Future of Eurafrika, in T Shaw and O Aluko (eds), Africa Projected, New York, St Martin’s Press, 1995. Pp. 60-80

¹⁷ T. Parett, the Decline of Eurafrika? Lome Mid-term Review, Review of African Political Economy, No 67, 1996, Pp. 53-66

¹⁸ M. Finger and P. Schuler, Implementation of the Uruguay Round Commitment; The Development Challenge, World Bank, Washington D.C, 1999, P. 97

Intellectual Property Rights” –TRIPS have severely circumscribed the sovereign rights of states. As earlier pointed out, states in developing countries can no longer regulate the activities of multinational corporations in order to foster perceived development needs. An example of this can be taken from the recent rejection by the Kenyan Government against American pharmaceutical companies, that campaigned to limit the number of diseases eligible for the importation of cheap drugs. Under the IPRs only three types of drugs can be exempted, those meant to curb malaria, tuberculosis and HIV/Aids, but African countries want this list expanded to include 20 diseases which are a huge burden to them, they include bilharzia, and haemorrhage diseases¹⁹. As observed in the UNCTAD²⁰, the TRIMS protocol ties the hands of governments in developing countries against requiring foreign investors to abide by specific local content requirements, domestic sales, and trade balancing tests, or remittance and exchange restriction. The TRIPS agreement seeks to consolidate, universalise, strengthen previous international agreement, and makes them legally enforceable through the WTO dispute settlement mechanisms. Furthermore, the TRIPS agreement is designed to protect patents, copyright, industrial designs, and other forms of intellectual property of the multinational enterprises. This entire array of international regulations is likely to eliminate the prospects of copy-technology- reverse engineering and these regulations force potential users of foreign technology into licensing agreement and royalty payments. Undoubtedly, such developments are likely to engender adverse consequences for technological upgrading and adaptation for SSA’s economies.

According to the UNCTAD WIR reports ²¹, it is of no question that the global economy is currently undergoing significant changes. The new trading regime under the WTO has reduced the scope for using measures which call for trade related subsidies, lax enforcement of IPRs and strategic conditions imposed on foreign investment, which were an integral part of the East Asian development strategy. Certainly, the more generalised protection, which provided a backdrop for targeted policies in East Asia no longer, appears too permissible. It may also be true that the changes will reduce the scope for policy manoeuvre for the developing countries, which wish to pursue a strategy involving vigorous infant industry protection and export subsidies.

¹⁹ Daily Nation, Horizon, April 17, 2003

²⁰ United Nations Conference on Trade and Development, *Transactional Corporations as Engines of Growth*, New York, UNCTAD, 1992, Pp. 30-100

²¹ United Nations Conference on Trade and Development, *World Investment Report*, Geneva, 1996, p. 25

In my opinion, it seems that, tight IPRs will raise the cost of technology transfer to SSA countries, and will risk blocking innovation in these countries. In reciprocate; this will undermine SSA's capacity to compete in the increasingly knowledge-based global economy. Iron handed control of innovation under the MNEs/TNCs will invariably place corporate interest over the wider development interest of the poor people, and thus tighter controls will accentuate the unequal patterns of globalisation. SSA countries can effectively challenge and indeed help to write rules and norms of the international trade regime only when they act as one collective voice in the WTO, only then will the missed and suppressed opportunities, seen as threats be converted to real opportunities. The Chinese with their wise sayings have one particular saying that is making rounds these days, hence, "... In a crisis lies an opportunity"

3. Opportunities

Despite the challenges highlighted above, (competition, decline in demand in primary goods and the tight control of IPRs), SSA is still bond to excel, bearing in mind the various opportunities that arise in the framework of information and knowledge economy. To begin with lets have a look at what these two terms mean.

These two terms have initiated a tremendous intellectual debate focusing on the specific meaning of the terms and their value in explaining our particular historical period. The terms "information economy" and "knowledge economy" are often used interchangeably. In a very strict sense, the information economy concept could refer to the economic contributions of a limited number of industries while, knowledge economy could be seen as including the entire industrial fabric of the economy²². It has been argued that, the term information economy refers to a new global economic structure, wherein the production of information goods and services dominate wealth and job creation, and is underpinned by the use of information and communications technologies- ICTs and a global information infrastructure. Defining information in broad terms, one is bond to adhere to the argument put across by Shapiro and Varian that, "anything that can be digitised- encoded as a stream of bits is information"²³. With this approach, it can be further argued that information goods represent such like, books,

²² Measuring the Global Information Infrastructure for the global Information Society, Concept and Performance Indicators, Document presented by a Delegation of Canada to the ICCP Committee, September 1996, also see, M.V. Porat, The Information Economy, Definition and Measurement, Report for Office of Telecommunications, US Department of Commerce, 1977, also, OECD, The Knowledge-based Economy, Paris, 1996

database magazines, movies music stock quotes, and web pages. However, when referring to specific aggregation of economic enterprises engaged primarily in producing and distributing information goods, the term information industries will be used. A summary depicting the characteristics of the industrial economy versus the information economy is illustrated in table III. Within the information economy, informational goods and services become one of the most dynamic and profitable areas of the world economy.

Table 3: Industrial Economy versus Information Economy

Industrial economy versus information economy		
Characteristics	Industrial Economy	Information Economy
Source of competitive advantage	Land, Labour and Capital	Knowledge
Production Mode	Command and Control Hierarchies'	Innovation-Mediated through Services and networks
Scope	Local/ regional	Global
Industry classification	Distinct; multiple	Diffused; architectures

Source; adopted form, D.L. Cogburn and C.N. Adeya, Globalisation and the Information Economy; Challenges and Opportunities for Africa, working paper, presented for African Development Forum, Addis Ababa, October 24-28, 1999

Knowledge economy contrasts itself from industrial economy in one major aspect, in that; the barriers to entry in most cases are much lower. Industrial economy mainly builds itself on the three factors of production (land, labour and capital). With significant capital investment required in order to acquire land, build factories, and employ expensive labour, build up inventories of industrial product, and transport them to their final destination. While on the other hand, the new information economy is based on information and knowledge technology as the most important factors of production. This does not mean that the other factors of production have become less important, only that they have been displaced as the most important by the primary factor of knowledge. In addition, the increasing pace of technology innovation has shortened the product life cycles and made speed a crucial competitive

²³ C. Shapiro and H. Varian, Information Rules; A strategic Guide to the Network Economy, McGraw-Hill, New York, 1999, p.3

weapon. The widespread use of ICTs has extended the global reach of international economic agents and led to compression of time and space²⁴.

Without any doubt, the challenges facing SSA in the information economy are daunting. However, given the fundamental shift in the nature of global economy, it is critical that strategies for SSA's development to be shaped within this reality of globalisation and the information economy. As Perez²⁵ suggests that, the shift to the information economy opens up new windows of opportunity for latecomers. The translation of the global economy to one based on knowledge and information presents numerous opportunities for developing countries that are willing to address them strategically. SSA and other developing countries can move to strategically develop competitive advantages within this new economy, based on their own specific histories and material conditions. Considering that SSA, countries are uniquely placed to benefit from falling costs and increasing utility of innovative technologies without having to bear the high cost of discarding older legacy systems.

In order to fully capitalise on these opportunities Saskia and Cox²⁶ have come up with the term "spaces of globalisation". They have pointed out that, to create "spaces of globalisation", specific geographic areas must be re-oriented to be able to more fully take advantage of the information economy through the development of information infrastructure and knowledge workers in their countries. This re-orientation includes developing a comprehensive strategic vision that harnesses the potential of globalisation and the information economy within that geographic space. Some of the various potential applications that are emerging from the global information economy, are of great strategic importance for SSA than others, and may have significant impact on the socio-economic development to the peoples of SSA include the following:

Content development -talking about information economy one has to bear in mind that the most vital aspect of it is information, thus, a wide range of new technologies and new techniques engendered by information revolution allow for the production and distribution of new knowledge and the dissemination of data, information and knowledge. Some of these technologies include the Internet, the World Wide Web, CD-ROM, digital video, audio and many more forms of new media.

²⁴ Ibid

²⁵ C. Perez, Structural Change and the Assimilation of New Technologies in the Social and Economic System, Futures, Vol. 15, 1983, Pp. 357-375

²⁶ S. Saskia and K. Cox, Spaces of Globalisation, Reasserting the Power of the Local, The Guilford Press, New York, 1997, Pp.67

This information economy is bound to provide SSA countries with a historic opportunity to create new information industries and to participate in global strategic partnership of other information enterprises. Given the richness and diversity of the African culture, the commercial exploitation of it is what Africa needs, based upon specific information industries built around strategies to harness these technologies and capitalising on this cultural richness could prove to be economically viable. What is more needed is the confidence to recognise the fact that they are the world's experts in a wide range of knowledge domain²⁷. The fact is, most of this knowledge has not been codified, and is largely informal and regional in its application thus undermining its perceived value and legitimacy, these include ecology, wildlife behaviour, and traditional healing methods.

Peoples of SSA must take part in the production of information because their contribution is crucial in maintaining the quality and relevance of information from the region, but above all, to enhance this, competitive distribution of content requires that the manpower should have technical, creative, and direct marketing skills. Information which could be of paramount importance to the region has come to be divided into three general fields; supply-meaning, the availability of sources of finance, labour, raw materials and technology, next is demand, which consists of market opportunities, prices, size of the market quality, while the last is environmental factors, thus competitors and legislation among others²⁸. An illustration that the above can work is the Ghanaian example, the Ghanaians worldwide have established marketable website selling a variety of products and promoting their culture. This act has indirectly uplifted their tourist industry, wherein creating up opportunities for investment and partnership from worldwide sources. Another example worth mentioning about is the root discoveries of the Banjo musical instrument, which though being a very popular instrument in America and always thought to be American, has been traced to be of African origin with its roots based in Gambia a state within Senegal. This too could easily become the tourist hub for the sub-region attracting Banjo researchers, collectors and enthusiast who could spend more time in the region wanting to learn how to play the "Akonting", Banjo in local terminology²⁹. What can be deduced from this example is that with more utilisation of the information economy SSA is most likely to take advantage of fields that no other can challenge them and depend less on a development model that is based on resource exploitation.

²⁷ P. Wilson, African Opportunities in the Transition to Knowledge Economy, Africa Development Review, Vol. 10, No 1, 1999, Pp. 36-49

²⁸ R. Heeks, Information and Communication Technologies, Poverty and Development, Working Paper No. 5 IDPM, Manchester, 1999

²⁹ New African, January 2003, No 414

One indisputable aspect of the information economy is the rise and incredible growth of the electronic commerce –E-commerce. E-commerce is transforming the global marketplace, and its impact is being felt in diverse areas such as production, distribution, finance, culture, and the reengineering of governments, through the development of the complex mix of skills required for e-commerce. These forms of business to business will better position SSA entrepreneurs and businesses to participate in global value chains for knowledge-based enterprises, and provide opportunities for competent SSA businesses to increase their markets far beyond their national borders. Noting also that most SSA private sector consists in large part of small, medium and micro-sized – SMMEs and the informal sector, this is widely regarded as a possible engine of growth in the economy. In order to spark the wanted intention much will depend on the ability of the local based trade and professional associations, chambers of commerce and grass root organisations to develop demand-driven mechanisms for delivering these services. It is worth taking into consideration that SMMEs are flexible and are able to provide new products quite quickly, and going to bed with strong foreign distributors could pave the way to new markets at the same time improving the quality of their products.

The Internet levels the playing field in competition with larger firms. Smaller business can then access and secure new customers, something, which would sound direly difficult with traditional commerce. African craft can now be sold and bought through the Internet, despite that; these websites are developed and based in the West. Though it would have been much better if these websites or as one may like homepages, were based and administered locally, in any case the start looks promising. The penetration will not be an easy task, taking into consideration the barriers of entry; e-commerce opens up niche market, which could be dominated by well-known brands, thus impeding the SMEE's development³⁰.

E-commerce also opens up opportunities for education through the involvement in global, virtual communities of interest, which can range from research and development -R&D teams to academic courses, thus, education, knowledge, and learning. The three features significantly contrast amongst themselves. In that, education is generally seen as a formal process of instruction based on a theory of teaching, to impart formal knowledge to one or more students. However, the process of learning can occur with or without formal institutional education. Knowledge accumulation and the accumulation of skills for using

³⁰Op Cit, D.L. Cogburn and C.N. Adeya, Globalisation and the Information Economy, 1999

ICTs will occur increasing outside the traditional institution of formal education³¹. There is potential for the expansion of distance education, which increases flexibility in learning. Considering the lack of educational resources in many African countries, this type of learning opens up numerous opportunities. Due to budgetary constraints many academic libraries, have stopped their subscriptions to international print journal. Some of these journals are very expensive and only one or two articles may be relevant to the users. Considering that access to academic journals has become an obstacle to many scholars in the SSA, there is great potential for digital libraries and electronic publishing. For instance, this can be done by freely browsing the Internet through the table of content of the desired print and subscribing through the library at a lower fee rather than full print-text. In line with the distance learning many SSA countries have students already benefiting from online courses, however there is need for more access to IT. They are now various regional programs aimed at promoting and strengthening the project. The first such program of its kind was the computer literacy and distance education conference that was held in Ghana way back in May 1998. The main objective of the meeting was to initiate a long-term effort to promote electronic network for economic and educational development in SSA³². South Africa in particular has many local institutions that are offering joint distance education programmes with those in the west. Unlike some countries where students are able to pay tuition fees by credit cards online, there are options open to students in the SSA countries who do not have credit cards to fill all the necessary application forms online and make payment offline³³. Recently Kenya too, set up a National Task Force –NTF to address the support system needed for the development of e-commerce. The NTF was set to organise activities, create awareness, confidence building and establish pilot projects³⁴.

The importance in this is to create employment and reduce illiteracy that in most developing countries are seen as critical development issues. It seems to me, that the promotion, and development of an information economy by supporting the requisite educational and information infrastructure, governments will be making significant strides towards addressing this pressing issue. Whereas the primary challenges to take advantage of this new information economy are along these lines too. Investment in telecommunication and

³¹ R. Mamsell and U. Wehn, *Knowledge Societies; Information Technology for Sustainable Development*, Oxford University Press, 1998, p. 67

³² Adopted from S. Appleton and F. Teal, *Human Capital and Economic Development*, Economic Research Paper No 39, 1998, African Development Bank web site

³³ D.L Cogburn, *Globalisation and State Autonomy in the Information Age Telecommunications Sector Restructuring in South Africa*, *Journal of International Affairs* Vol. 51, No 2, 1998, p.583

³⁴ Daily Nation, July, 2000

the development of a National Information Infrastructure-NII must be enhanced, by focusing on human resource development. This will make it possible to provide new ways to stimulate the creation of content, promoting an enabling environment for SSA enterprises and SMME's operating in and supporting the information economy.

None of the above is going to work out effectively if the SSA policy makers do not fasten their belts and get down to work, Africa as a whole can not afford wasted efforts any more. It is critical SSA works as collaboratively as possible with a multiplicity of actors at national, regional, and global levels. The ability of governments to develop effective policies will depend on their capacity to interpret information relevant to the economic, social, cultural, and political environment. A strong information infrastructure would allow access to information, planning, and decision-making. However, such infrastructures are vestigial in SSA. The majority of SSA countries have witnessed an unprecedented reduction in the ability to act. Most infrastructure expenditures in developing countries are publicly financed. However, several factors, namely macroeconomic instability and growing investment requirements, have shown that public finance is volatile at best, and in many countries, rarely meets the minimum required to maintain adequate infrastructure provision. Undermined by conditionality of structural adjustment programmes, exploited through debt peonage, and weakened by political conflict, the majority of governments are in crisis management mode, prioritising short-term economic and political survival over long-term dynamics³⁵.

Having a closer look at the stiff treats of current business practices, there is no indication that much is up to change. Constraints on the ownership of knowledge, and rules on intellectual property rights that are adverse to developing country interest, are radically changing. In this case, there are no realistic prospects that the relations between Information and Communication Technology- ICT rich and ICT poor countries will change in the near future. Thus, it is an illusion to think that ICT-poor countries can pace the run or catch up with advances in the most technologically advanced societies. In the advanced industrialised countries, the rate of technological development is very high and is supported by enormous R&D resources. The IPRs regime is also at the behest of such corporation and only serves to undermine the efforts of developing countries to safeguard their heritage. As Brown put it at a

³⁵A. Moussa and R. Schware, *Informatics in Africa, Lessons from the World Bank Experience*, World Development Special Issue on Diffusion of Information Technology; Opportunities and Constraints, Washington D.C. No 20, 1992, Pp. 737-752, also see, E. Mozley Roche and M. James Blaine, *Information Technology Development, and Policy Theoretical Perspective and Practical Challenges*, Alder short, Hants, Avebury England 1996

speech at the Virtual Commonwealth Conference³⁶ “.... in the information economy, IPRs, such as patents and copyrights are primary units of value”. There is a need to balance strong protection for IPR holders with low cost, certain and ready access to protect materials for potential users and content developers. The high costs of intellectual property works render SSA’s countries unable to afford access. Nevertheless, this is certainly not to say that poor countries should not try to upgrade their ICT systems. They should not do so in the unrealistic expectation that those who are ahead will wait for them.

4. Conclusion

Globalisation is an irrevocable process and prompts tremendous changes creating treats and opportunities within it. Globalisation has been reinvigorated by the unprecedented ease with which information can be exchanged and processed thanks to breakthroughs in computer and telecommunication technologies, which since 1970 have reduced real computing and communications cost by 99%. This technological progress has steadily expanded the range and quality of services that can be traded, including those that support trade in goods, moving towards a globally integrated economy. Economic model of trade theory, states that a fully integrated world economy provides the greatest scope for maximising human welfare. This model is based on the assumptions about free international movement of goods and factors of production, the availability of information, and a high degree of competition. However, benefits spring out even if capital and labour cannot move freely, so long as goods are freely traded. This theory sounds utopian because, in reality there are still dozens of barriers to free movement of capital and labour as well as trade barriers.

Globalisation has been said to bring faster growth, thus a decline in poverty and increased life expectancy. In broad terms, trade is good for growth, and growth is generally good for the poor- because on average, increased growth raises the income of the poor in proportion to those of the population as a whole. Critics have been quoted to say that globalisation is not making life better for those most in need of its promised benefits. It is clear to almost everyone, that something has gone horribly wrong, almost over night; globalisation has become the most pressing issue of our time.

Broadly speaking globalisation has the potential to make all people live better. The problem is that there is no assurance that all people will be better off or that changes will be positive. Figures showing that on average, poverty declines with economic growth are

³⁶ M.M. Brown, Speech at the Virtual Commonwealth Dialogue Session, Multimedia Asia Conference, October 1998

encouraging. Nevertheless, the averages hide the negative impact on individual countries and on certain groups within them. In addition, there are important questions about relationships between economic policies and outcomes, especially the impact of macroeconomic and structural reform policies on poverty.

Looking at it more closely, SSA has much to gain from globalisation, but only if policies are implemented and institutions build to facilitate these policies. ICT has the chance to leapfrog the region from various backlashes. However, this will only be possible if the developed world allowed for a fair play. Tight restrictions on IPRs need to be revised, thus allowing more accessibility to technology. Actions that lead to double standards will need to be reduced to the minimum, stepping up transparency and equality. This would in turn create room for active participation of SSA policy makers in decision making, on issues that concern the region. Transferring model policies from other regions on experimental basis is not bound to change much, hence, policies should be designed to fit individual states in SSA, as the magnitude of problem varies within countries

The globalisation wave of the 20th and 21st century has raised voices of criticism and dissatisfaction in the way it is managed. The various anti- globalisation movements, starting with Seattle, Quebec, Genoa and elsewhere, the attack on the World Trade Centre in the US, have demonstrated the level of discontent. Stakeholders will have to attend to the following questions; when is growth especially beneficial to the poor? When does growth not benefit the poor? How does trade generate growth? Does all foreign capital raise growth? In addition, how can it best ensure that capital flow do no harm? Then globalisation will not be a success for all and discontent will continue to manifest in various forms.

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