

The Impact of Globalization on Africa's Trade Relations with Developed Countries: a Review of the Structures of Contemporary Economic Globalization

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Abstract

The term globalization has generated debate and arguments among scholars hence, this paper examined the impact of globalization on Africa's trade relations with developed countries: A review of the structures of contemporary economic globalization. The Marxian political economy approach was applied while analyzing the subject-matter. In terms of methodology, the descriptive method was used while data were sourced from secondary sources. Data was analyzed qualitatively through content analysis. Findings revealed that the term globalization is a liberal but complex concept which can be viewed and applied from different perspectives depending on the spectrum or issue under investigation. The study also showed that globalization through its structures such as the World Bank, world trade organization etc have helped to increase the volume of trade among states and organizations at the global level. However, to ensure that African countries maximize the gains of globalization, there is need for African states and governments to strengthen institutions and capacity of their citizens.

Keywords: *Globalization, Impact, International trade, Structures, Contemporary, Economic and African countries.*

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Background to the Study

Globalization is perceived by many as a natural historical progression to the internationalization of economic and social policies, activities, ideas and the standardization of political structures and practices. Some scholars however hold the view that the father of globalization is science while the activator is technology (the mother). However, the most visible manifestations of globalization are in the economic and communications spheres while the most important characteristics of globalization is the Information Technology (IT) hence, it is not surprising to observe that information technology revolution has brought about most profound changes in the way human activities and endeavors are conducted. Available records revealed that the fall out of globalization soon became visible as some countries took advantage of it and expanded their markets and economics through diversification and massive investments in infrastructure, science and technology sector hence, leading to the emergence of new international actors in the global stage. What are the benefits of globalization? What are the issues and consequences?. Has globalization any impact on international trade? Why the competing interest in Africa and the reaction of African countries to these new found friends?. These and other questions forms the major thrust of this paper.

Theoretical and Conceptual Analysis

In order to fully understand the concept of globalization and its impact on Africa's trade relations (international trade), the study adopted the Marxian political economy approach. The basic tenet of the Marxian political economy approach derived from the inter-connection between the economic, political and other facets of the substructure hence, this approach recognized the complementary relationship of all spheres of human existence but in which the economy plays a determinant role. While describing the relationship between developed and developing countries as a struggle for power Karl Marx, maintained that the importance of geo-politics in human history and the underlying economic gains accounts for the development of large political associations. According to Marx, the struggle for power between the European states via the 1884-1885 Berlin Conference led to imperial expansion while economic motives were the reasons for the development of world trade and global markets. Advocates of Marxism further argued that political attitudes especially individual, group behaviour and character (political actions and policies) cannot be assessed or determined in isolation hence, the Marxian political economy was used to explain the interrelationship between African-economy (developing countries) and the policies introduced by the developed countries (Imperialists) in the process of globalization. This interaction no doubt produces two classes of individuals which Karl Marx described as the international capitalist bourgeoisies (imperialists) and privileges African elites (proletariats) who aid the international capitalist bourgeoisies to make super profits. Thus, the inconsistencies and discriminatory trade policies at the global level affirms the Marxists view that the struggle for power and economic gains remains the driving force in international political economic relations of states in the international arena.

Conceptual Analysis

This aspect of the study examined the views of scholars on the subject-matter including literatures relevant to the study. A careful study of the literature on globalization revealed that it is one phenomenon that is not easily understandable, and is therefore, not agreed upon by all as

to what it really is hence, there is no simple or agreed definition of what constitutes globalization, nor any consensus about how far the process has advanced, and in which areas. What is rather evident is that globalization is a major site of contestation making it a complex but dynamic subject-matter at all levels. Scholars who oppose the use of the term globalization see it basically as a bogus concept and an ideological project while at the same time denouncing its economism; economic reductionism, technological determinism and political cynicism. According to Aina (1982), globalization is not necessarily the positive happening some authors would have us believe, rather, it accompanied the economic crisis carrying its own basket of problems which include problems of economic and social nature ranging from the collapse of producer prices to increase in unemployment and poverty.

Therefore, for Khor (1965), the reasons for the negative perception of globalization include the lack of tangible benefits to most developing countries from opening their economies despite the well publicized claims of export and income gains. In addition, the economic losses and social dislocations to which many developing countries have been subjected to on account of the rapid financial and trade liberalization arising from globalization coupled with the perception that environmental, social and cultural problems have been made worse by the workings of the global free market economy affirms this position. On the other hand, those who see globalization from a positive perspective, observe that the problem of definition and impact has not in any way resulted in diminished usage. In the same vein, Scholte and Axtamann (1982) corroborated the above position and added that the basic fact of linkage to global flows makes globalization the central distinguishing fact of the moment, underlying most perspectives of globalization is the perception that it is a multidimensional phenomenon and that indeed, we may not have one globalization but many globalizations, Bertelson (2000) identified three dimensions of globalization.

First, it is an intensified transference or exchange of things (labour, skill, capital and goods) across boundaries, second, it is a process of transformation that occurs at the system level (economy, politics and society) and third, globalization is viewed as transcendence, beyond the conceptualization of society into sectors. While commenting on Africa's relations with the new international actors (Brazil, India and China) and the need to ensure that trade negotiations are in Africa's favour, Francesco Rampa and Sanoussi Bilal (2011) cautioned that the emergence of new international actors in Africa and their gain of political and economic ground have raised several questions as to the relationship between Africa and its traditional donors, particularly with Europe. This fear was also expressed by Ake (1980) when he maintained that Africa's over dependence on external sources through globalization for its survival and development would be counter-productive in the future. According to him; the problem is not much that development has failed but, rather it was never really on the agenda in the first place.

Thus, to have development on the agenda in Africa means that development must be domesticated and democratized. It must incorporate popular participation, wishes and aspirations of the people, as well as the cultural practices and values of the people for which it is designed (Ake, 1996:p.41). Using the structuralist and centre-periphery framework analysis,

advocates of the Marxian political economy approach argued that integration of developing countries' economies into the capitalist system through trade and globalization resulted into their underdevelopment. Wolf (1974) affirmed this position when he stated explicitly that dependence causes underdevelopment. Karl Marx and other dependency theorists therefore posited that capitalism at the national and international levels accounts for the underdevelopment in the past and present day Africa hence, they contended that the international capitalists (through foreign direct investment (FDI) collaborate with their domestic allies (governments) in host economies especially developing countries to perpetuate the exploitation of the unsuspecting host economies. The above analysis clearly revealed that globalization and trade at the international or regional level is a choice made by states to relate economically with one another. The advantages obtained in the process depend on the capacity and ability of states to negotiate and bargain based on variables such as: level of technology, resources or potentials available etc.

Analysis Showing the Structures of Contemporary Economic Globalization and its Impact on Africa's Development

Since the study is based on the qualitative method, the view of scholars was examined while analysis was also based on content analysis. Tables will be presented where necessary in order to corroborate the views expressed by scholars on the subject-matter. Describing the relationship between developed and developing countries as a struggle for power Marx (1965) maintained that the importance of geo-politics in human history and the underlying economic gains accounts for the development of ever-larger political associations. According to him; the struggle for power between the European countries via the 1884 – 1885 Berlin Conference led to the imperial expansion while economic motives were the reasons for the development of world trade and global markets. Marxist scholars therefore argued that political attitudes especially individual, group behaviour and character (political actions and policies) cannot be assessed or determined in isolation hence, the interrelationship between African economy (developing countries) and the policies introduced by the developed countries (imperialists) in the process of globalization produces two classes of individuals which Karl Marx described as the international capitalist bourgeoisies (imperialists) and privilege African elites (proletariats) who aid the international capitalist bourgeoisies to make super profits. Karl Marx and other Marxist scholars posited that the inconsistencies and discriminatory trade policies at the global level couple with the struggle for power and economic gains remains the driving force in international political economic relations of states in the international arena.

While corroborating the above position, Keohane (1984) in his work “After Hegemony; Cooperation and Discord in the World Political Economy” identified power and economic resources as the major reasons why countries relate with one another at the regional and global levels. He added that when resources are scarce or limited, relationships among states could degenerate or improve depending on the prevailing circumstances, the value and location of the resources. Cox (1981) however described structures of contemporary economic globalization such as the World Trade Organization (WTO) and others as neo-colonial capitalist enterprises where rules and guidelines are formulated and drafted without the consent or input of others. While arguing that the trade relations between Africa and European

countries was unequal, he raised the following technical questions bothering on system management; how best to organize the relationship between states in order to minimize the potential for violence between them and how best to integrate states into an international system whose emergent properties emphasized liberal concerns for cooperation in the interest of meeting common goals. On the issue of lack of equity in the activities of the world trade organization and other economic structures of globalization Cox (1981) wondered and asked how the basic structure of world system was predicated upon the forced institutionalization of social relations of production consisted with capital accumulation (John Ravenhill, 2003;p.42).

Using the structuralist and centre-periphery framework analysis, Wolf (1974) argued that the integration of developing countries economy into the world capitalist system through trade and globalization resulted into their underdevelopment. According to him; dependence causes underdevelopment. Cox (1981) reiterated that globalization especially economic globalization will not be possible without certain structures which include; the World Bank, the International Monetary Fund (IMF), the United Nations and its agencies and more significantly, the World Trade Organization (WTO), United Nations Conference on Trade and Development (UNCTAD). He stressed that these international organizations and institutions serve as structures or platforms upon which economic globalization is anchored. It will be recalled that the United Nations General Assembly in conjunction with the World Trade Organization (WTO) sponsored the first International Conference on Financing for Development (FFD) held in March, 2002 at Monterrey, Mexico. He however acknowledged the fact that the above globalization structures helped in drawing up guidelines and procedures that control international trade relations amongst states at the regional and global level. Despite the challenges observed in globalization of trade between the developed and developing countries, the table below shows the economic importance of globalization.

Table 1: Summary of Econometric Results of Medium-term Based-line Scenarios of FDI Flows by Region (Billions of Dollars)

Countries/Region	Average					Projections		
	2005-2007	2009-2011	2009	2010	2011	2012	2013	2014
Host Region	2005-2007	2009-2011	2009	2010	2011	2012	2013	2014
Global FDI Flows	1473	1344	1198	1309	1524	1495-1695	1630-1925	1700-2110
Developed Countries	972	658	606	619	748	735-825	810-940	840-1020
European Union	646	365	357	318	421	410-450	430-570	440-550
North America	253	218	165	221	268	255-285	280-310	290-340
Developing Countries	443	607	519	617	684	670-760	720-855	755-930
Africa	40	46	53	43	43	55-65	70-85	75-100
Latin America and the Caribbean	116	185	149	187	217	195-225	215-265	200-250
Asia	286	374	315	384	423	420-470	440-520	460-570
Transition Economies	59	79	72	74	92	90-110	100-130	110-150

Source: UNCTAD, World Investment Report 2012

The above data clearly revealed that global foreign direct investment (FDI) flows exceeded the pre-crisis average in 2011, reaching \$1.5 trillion despite the global economic crises. It also shows that the increase recorded in 2011 was 23 percent below what was achieved in 2007. The UNCTAD World Investment Report 2012 as presented in the above table indicate that FDI inflows increased across all major economic groupings in 2010 and by 2011, flows to developed countries also increased to \$748 billion representing 21 percent. In addition, developing countries and transition economies accounted for more than half of global FDI (45 percent and 6 percent respectively). The above analysis implies that globalization through trade and economic relations truly moulded the world into a social space or what is commonly called a global village. The table below further shows the outcome of Africa's trade relations with its foreign partners.

Table 2: FDI flows by Region, 2009-2011 (Billions of dollars and percent)

Region	FDI INFLOW			FDI OUTFLOW		
	2009	2010	2011	2009	2010	2011
World	1197.8	1309.0	1524.4	1175.1	145.4	1694.4
Developed Economies	606.2	618.6	747.9	857.8	989.6	1237.5
Developing Economies	519.2	616.7	68.4	68.5	400.1	383.8
Africa	52.6	43.1	42.7	3.2	7.0	3.5
East and South East Asia	206.6	294.1	335.5	176.6	243.0	239.9
South Asia	42.4	31.7	38.9	16.4	13.6	15.2
West Asia	66.3	58.2	48.7	17.9	16.4	25.4
Latin America	149.4	187.4	217.0	54.3	119.9	99.7
The Caribbean	72.4	73.8	92.2	43.8	61.6	73.1
Transition Economies	45.2	42.2	46.7	5.0	11.5	9.2
Structurally Weak, Vulnerable and Small Economies	18.3	16.9	150	1.1	3.1	3.3
LLCS	18.3	28.2	34.8	4.0	9.3	6.5
SIDS	4.4	4.2	4.1	0.3	0.3	0.6
Memorandum: Percentage Slave In World FDI Flows						
Developed Economies	50.6	47.3	49.1	73.0	68.2	73.0
Developing Economies	43.3	47.1	44.9	22.8	27.6	22.6
Africa	4.4	3.3	2.8	0.3	0.5	0.2
East and South East Asia	17.2	22.5	22.0	15.0	16.7	14.2
South Asia	3.5	2.4	2.6	1.4	0.9	0.9
West Asia	3.5	4.4	3.2	1.5	1.1	1.5
Latin America and The Caribbean	12.5	14.3	14.2	4.6	8.3	5.9
Transition Economies	6.0	5.6	6.0	4.2	4.2	4.3
Structurally Weak, Vulnerable and Small Economies	3.8	3.2	3.1	0.4	0.8	0.5
LDCs	1.5	1.3	1.0	0.1	0.2	0.2
LLDCs	2.3	2.2	2.3	0.3	0.6	0.4
SIDs	0.4	0.3	0.3	0.0	0.0	0.0

Source: UNCTAD, World Investment Report 2012.

Findings from the data above shows that globalization led to increase and expansion in both domestic and foreign which also opened up domestic products to the international capital market which in turn changed the economic and political status of most African states through increased Foreign Direct Investment (FDI) opportunities but with unequal terms of trade coupled with harsh economic policies which created social and political problems for third-world countries. Further analysis revealed that the trade relations between African countries and European Union countries through globalization also created new markets and expansion in the volume of trade, including the introduction of unfavourable policies which had negative impact on the culture and traditions of African states and its people. The study further revealed that international trade through globalization is open to all nations while the gains recorded depends on the technological skills and ability of states to negotiate and project its agenda and interest.

Conclusion

The study showed that globalization and international trade help to enhance and accelerate the pace of socio-economic development and growth in both developing and developed economies. This process further propelled the advancement in science and technology which made communication and production very easy. The study further revealed that during the course of interaction, industrialized states gained more advantage while developing countries (weak states) find themselves at the receiving end of the globalization spectrum hence, affirming the fact that globalization is indeed a complex but dynamic concept which increases the challenges faced by all actors in the world economy. In the same vein, the location of countries on the globalization spectrum is determined by investment in human resources and in science and technology hence, implying that education and capacity in science and technology are critical infrastructure requirements without which no real progress can be made. In all, the paper concludes that only serious and politically stable nations who are willing to comply with approved international standards will reap positively from globalization hence, sub-Saharan African countries who are on the weak end of the globalization spectrum needs to accord priority attention to basic formal education including science and technology which will in turn facilitate trade and economic development in Africa.

Recommendations

The need to bridge the existing gap in trade relations between Africa and its foreign partners through globalization is imperative hence; the following recommendations will no doubt help to proffer solutions to the problem of development in Africa:

1. In order to maximize the developmental benefits of globalization, African countries/governments should implement coherent, coordinated and complementary strategies so as to align its vision and policies to the actions and approaches of other external actors and partners.
2. There is also need for African states to strengthen capacity and build strong institutions in order to compete favourably in the international market and also design and implement development plans strategically.

3. Maintaining internal peace, security and unity among African states and leaders will help to guarantee stability and consistency in government policies and programmes in Africa. This point was stressed by Kwame Nkrumah, former President of Ghana when he said, as I have said time and time again, the salvation of Africa lies in unity. Only a union government can safeguard the hard-won freedom of the various African states. Africa is rich, its resources are vast and yet African states are poor. It's only in a union government that we can find the capital to develop the immense economic resources of Africa (cited in Adejumbi, S. and Adebayo, O. 2009:p.2).
4. It is on record that highly industrialized countries are experiencing rapid socio-economic growth and development due to credible and transparent elections and electoral processes hence; there is need for the promotion of participatory democracy and good governance in third world countries. Commenting on the adverse effects of the absence of democracy and good governance in a society, Masahisa Kawabata stated thus: In most Sub-Saharan African states, public policies are being formulated for personal and tribal gains hence, leading to intermittent conflicts which has led to a near failed state situation (Beyart, 2009:p.41).
5. There is also need for partnership and regional cooperation among all Sub-Saharan African states irrespective of geographical and ideological differences hence, the African union, ECOWAS and other socio-economic groups must come together in order to increase and expand their capital base and volume of trade.
6. There is urgent need for a strong and neutral regulator at the global level to check the excesses of transnational actors in the international market. This is imperative and fundamental because the study revealed that the structures of economic globalization at the global level such as the World Trade Organization, (WTO) International Monetary Fund (IMF) United Nations Conference on Trade and Development (UNCTAD) etc. promoted unequal terms of trade and discriminatory trade policies and rules in favour of the developed countries. Thus, to ensure equity and compliance, sanctions should also be imposed where necessary.

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