7. GLOBALISATION

a) In the grip of the international market

Since the early 1990s the term ‘globalisation’ has come into vogue. Globalisation has been briefly mentioned a number of times in previous chapters, for example in connection with the end of the Cold War (chapter 1, section i) and in the discussion of structural adjustment programmes (chapter 2, section c). As we turn to the main economic trends in Africa since 1990, it is only logical to take globalisation as our starting point. Globalisation is a mainly economic process that has had far-reaching effects worldwide. Since the 1990s, ‘globalisation’ has become a container concept embracing a whole series of economic, political, technological, social and cultural phenomena. It therefore makes sense to refer to the years since the Cold War as the age of globalisation. This is equally applicable to Africa. However marginal that continent’s position may have been by world standards, globalisation nevertheless had a major impact there.

If we think of globalisation as a process of increasing international interconnectedness, it is clear that it has been going on for a long time. It is tempting to go back many centuries and say that it all began with Columbus, who brought an entirely New World into contact with the Old World. Yet even the discovery of America in 1492 was merely a milestone in a process that had been going on for hundreds of years – the discovery just speeded things up. In the seventeenth and eighteenth centuries, Europe’s scattered trading links with other continents became more structured, bringing us another step closer to ‘globalisation’. Yet there was still no single worldwide trading system, but only separate Asian and Atlantic ones. During that period Africa was absorbed into the Atlantic trading system along with Europe and America, albeit mainly as a source of slaves. In the nineteenth century, modern colonialism expanded what had hitherto been chiefly economic ties between Africa and Europe into all kinds of other links, again mostly not of Africa’s choosing. Despite later decolonisation, Africa’s role in the global system has remained a dependent one.

If international economic ties have been growing stronger for centuries, why do we speak of the age of globalisation as beginning in the late twentieth century? What is so new about this period that it justifies the new name? Globalisation is seen as a new stage of the industrial revolution, the first stage of which was industrialisation, with its origins in eighteenth-century Britain. Like earlier stages, globalisation is driven by technological advances. The main engine of globalisation is innovation in information and communications technology (ICT). This technology has increased the importance of knowledge in the economy and society (whence the term ‘knowledge society’) and linked the world in a new and much more efficient way, with especially far-reaching economic and financial effects. This in turn has triggered other kinds of changes, spreading the effects of the process further and further through society. Another important spur to globalisation was the collapse of the Eastern Bloc, which speeded up the process of interconnection by greatly increasing, at one fell swoop, the number of countries in which it could take place. The impact of globalisation was eventually felt in almost every part of the world.

In the 1990s the world economy grew by more than three per cent a year, and trade by over six per cent.1 This expansion mainly involved the production of services, but large quantities of new goods were also produced. The main economic players since World War II – the United States, Western Europe and Japan – maintained much the same shares of world trade relative to each other, but there was a major increase in the total volume when the field of play expanded to include Asia, Latin America and Central and Eastern Europe. The greatest acceleration, however, was in international movements of money and capital. The number of foreign exchange transactions worldwide tripled between 1986 and 1992. There was also a new trend in foreign direct investment (FDI), which averaged 77 billion US dollars a year in the mid-1980s; just ten years later, in 1995, this figure had risen to 315 billion.2

Not only was all this symptomatic of the steady structural changes taking place in the global economy, but it triggered further changes. The balance of power between the players on the world stage was shifting. Discussions started on whether the nation state would be able to continue no reign supreme. As a result of deregulation and privatisation, the modern state was forced to give up some of its tasks to the private sector. It also had to transfer tasks and responsibilities to supranational
institutions such as the European Union, and at the same time it relinquished powers to lower levels, either through a controlled process of decentralisation or a chaotic process of disintegration. Creating a favourable business climate became a key task of government. Large private companies, which had thoroughly modernised their organisation and working procedures, became the new leaders on the world stage. By the end of the twentieth century the one hundred biggest ‘economies’ were divided almost fifty-fifty between countries and private companies. The companies were often mainly active in their own regions; truly global businesses were a rarity. They had a major influence on government policy. In the developed world the same could be said of nongovernmental organisations, which likewise increased their influence on the decision-making process.

Critics compared these constant innovations to a runaway train careering wildly out of control. There was increasing pressure from society to regain a grip on the process, culminating in a true anti-globalisation movement. Many politicians, too, were unhappy about what increasingly appeared to be ‘cowboy capitalism’, and called for a more orderly international economic system. Yet the process could not be reversed. Globalisation had given a major boost to the economies of Western and many other countries. It was justified in ideological terms with reference to the former battle between East and West, which had unmistakably been won by the West. At the same time, this international trend was very much in line with both classic liberalism and the internationalism of social democracy. Culturally there was a link with cosmopolitanism, only this time in a form that was readily accessible to the general population.

At first most people in the West were convinced that globalisation was bound to be good for every region in the world, including the poorest, such as Africa. Open economies, freer markets and deregulation were having an immensely positive impact on their own welfare, so why should they not be extended to other parts of the world? In particular, the success of the East and Southeast Asian countries (although the state had in fact played a major part in their development) and the failure of former communist and poor developing countries appeared to support the thesis that there was one royal road – perhaps only one possible road – to development. However, it was soon apparent that the free play of economic forces could upset the balance within countries, between countries and between entire regions. Moreover, Africa had a number of serious deficiencies, such as weak governments, political instability and low competitiveness. With these unfavourable initial conditions, the question was to what extent the continent could meet the challenges of globalisation.

Africa is economically the world’s weakest continent, and was unable to offer much resistance to outside influence. Above all, this vulnerability had major consequences for its economy, but because of the many-faceted nature of globalisation, it also had a considerable political, technological, social and cultural impact. The changes in all these areas will be discussed in the remainder of this book. The end of this chapter will focus on the technological and cultural impact. The social implications will be examined in chapters 8 and 9, and the political ones will mainly be discussed in chapter 10.

The political aspects of globalisation were by no means confined to the role of the state in Africa or to attempts to influence economic and monetary policy through structural adjustment. Outside influence was also brought to bear on the relationship between states and their citizens in Africa. Among other things, efforts were made to promote good governance, institution-building, respect for human rights and democratisation. Both inside and outside the political field, foreign pressure interacted with autonomous developments in African countries. The relevant political issues, including what happened after the wave of democratisation between 1989 and 1994, are the subject of chapter 10. In short, this chapter will mainly address the economic effects of globalisation, with most other areas of impact reserved for later chapters.

As early as the 1980s, Africa had encountered the economic aspects of globalisation in the form of structural adjustment programmes imposed by the international financial institutions in cooperation with the donor community. There were whole series of programmes, in some cases extending right into the twenty-first century; as emphasised in chapter 2, brief or half-hearted reform would not have been sufficient. Structural adjustment measures began to be adopted in the 1990s, owing largely to the adverse social impact of the first generation of programmes on the local population. Rising unemployment in the formal sector and cutbacks in basic social services took a heavy toll in some
countries, and there was little new growth to compensate. Moreover, that growth was quite unevenly distributed, and often benefited only a small group of people. Often they were members of the political elite, whose power enabled them to take advantage of the reforms. Privatisation of state-owned enterprises, almost always a key component of structural adjustment programmes, was usually a failure. Instead of ensuring that economic power was more widely distributed and that a group of independent entrepreneurs could emerge to build up the private sector, privatisation in many cases merely helped politicians increase their personal wealth.

Despite the best intentions, the structural adjustment programmes tended to strengthen rather than weaken politicians’ grip on the economy in many countries. They also seemed to result in more corruption. Politicians sometimes misused their power in the most brazen manner for personal financial gain. For example, well-conceived commercial plans to restore and relaunch the colonial railway line from the Ethiopian capital Addis Ababa to Djibouti on the Red Sea, which would have greatly increased Ethiopia’s export capacity, were never implemented because they were not in the personal interests of ministers who controlled road transport to the coast. In 2000, the directors of a large international brewery in Congo (Kinshasa) were jailed on trumped-up charges. The real reason was that the company had refused to help a local brewery – which was owned by a member of the cabinet – increase its market share. Corruption, lawlessness and abuse of power thus had a disastrous effect on opportunities for foreign investment almost everywhere in Africa.

Another crucial obstacle was the limited role of market forces in some sectors of the economy. Markets for certain products were dominated by a small number of businesses or even individuals. Women, ethnic minorities and the poor sometimes had little or no access to markets for various practical reasons, such as lack of organisation, infrastructure or collateral. In general, the structural adjustment programmes led to freer markets almost everywhere. However, in some remote areas where subsidies had enabled trade to develop in spite of high transport costs, the reverse was true. In such areas the abolition of subsidies meant that people could no longer get to the market, and they were thrown back into an economy of self-sufficiency. At the same time, the erosion of state support left certain regions and groups economically and socially isolated.

The adverse impact of the structural adjustment programmes should not be overstated, but it cannot be denied that their results were generally disappointing. They did not take sufficient account of the political and social situation in Africa. Many felt that both the benefits and the disadvantages of the reforms were unequally distributed over society. Critics of the programmes had complained about this for years, and eventually some of their criticism got through to policymakers in Washington and elsewhere. In the 1990s this resulted in a second generation of reform packages.

However, the core of the reforms was essentially the same. For example, the prime importance of achieving and maintaining macroeconomic stability was not open to debate, and faster economic growth remained the ultimate aim. The African economies were so small that no headway whatsoever could be made unless production increased. Africa contained about ten per cent of the world’s population but produced only about one per cent of its goods and services. Around 1990, an average African country with a population of around ten million produced no more goods and services than the average Dutch municipality.

In the 1990s most African countries succeeded in keeping their budgets and balances of trade in reasonable equilibrium. This was a considerable achievement, given that the international terms of trade for African products were deteriorating year by year. This trend continued into the twenty-first century, particularly as the knowledge incorporated into goods and services became more important, and hence more valuable. Human knowledge and skills were growing more and more significant as sources of new prosperity, and this was precisely the area in which Africa was weakest. Its main products were crops and raw materials, whose relative value was declining. In the closing years of the twentieth century, the value of one unit of African exports was falling by more than three per cent a year, while the equivalent figure for imports was rising by over two per cent. The result was that the terms of trade were deteriorating by more than five per cent a year.

Behind these figures lay a crucial problem for African development. According to standard economic thinking, which was, naturally, espoused by the World Bank, Africa (like every other continent and country) would do best to concentrate on the products that it could bring to market most cheaply compared with other countries. These were primary products, raw materials and agricultural
products – in other words, the things Africa had possessed in abundance since time immemorial. In theory, the best way for Africa to catch up with other continents was to exploit its ‘comparative advantage’ in this fashion. However, the structural deterioration of the terms of trade made this extremely difficult. According to African critics of this development strategy, Africa would never even begin to catch up with other regions in this way, let alone close the gap altogether. Yet there was no alternative. What could Africa do that would be any better? Compete in areas in which it had no comparative advantage? That would by definition be even harder. So the continent was caught in an economic bind. Its share of world trade was just two per cent, and the share of non-primary products in this figure was virtually nil.\(^5\)

Whichever path was chosen, it was clear that Africa would have to become more competitive – and this was not going to happen if reforms merely led to social dislocation and an overall deterioration in people’s living standards (particularly the quality of education). The second generation of structural adjustment programmes was intended to tackle these adverse effects. Growth objectives were broadened. The goal was no longer growth as such, but growth that would benefit a much larger group of people. The standard of basic social services such as education and health care had to be maintained. Policymakers also began to take account of the implications for women, a large portion of whom had been reduced to poverty. There was greater emphasis on institution-building and the environment. Around 2000 the integration of economic and social approaches led to the emergence of the term ‘pro-poor growth’, which was internationally adopted as the guiding principle for reform. The idea was that growth should take place in such a way that it would substantially help to reduce poverty, mainly by creating new jobs. However, translating this into practical policy measures proved no easy matter.

Furthermore, given its dependent position within the international system, Africa’s interest lay in an international order that would protect it against arbitrariness and instability and at the same time give it some latitude to develop in its own way. This would have to involve something more than a development policy that was solely dictated by market forces, especially given the rigours of the financial market. What African countries needed was an institutional framework that would provide some protection for their own production while leaving sufficient room on the world market for newcomers or re-entrants. However, developing countries played only a modest, defensive part in the debate on the reform of the international system in the 1990s, for example the discussion about the establishment and design of the WTO. They were often very conservative, and clung tightly to outdated structures. This was because they were convinced that poor countries would not benefit from further integration of the world economy or from global harmonisation.

b) Relative decline in trade and investment

Globalisation was boosted not only by technological innovation, but also by the fact that national economies were opened up. International trade and movements of capital were liberalised, and countries saw their volumes of trade and investment grow as a result. However, this was not necessarily the case in African countries. Their figures did not always decline in absolute terms, but in relative terms, as a percentage of the world total, they certainly did. The rate of growth in the rest of the world was so staggering that stagnation in Africa was tantamount to decline.

Trade figures provide a measure of how dynamic an economy is, and trade can also be seen as a gateway to investment. Foreign businesses often prefer to get to know African partners by trading with them before taking the more risky step of investment. This section focuses on trade between African and non-African countries. Although not completely negligible, intra-African trade was very limited. Only about ten per cent of Africa’s international trade was with other African countries, for several reasons. There was little economic diversification, so that countries in the same region usually produced more or less the same products and hence had no reason to trade with one another. Ties between neighbouring countries were often weaker than those with more distant partners such as the former colonial power in Europe, making long-distance trade easier. However, when there were considerable differences in the values of neighbouring currencies, as there were between CFA and non-CFA countries in the years before the devaluation, intra-African trade could sometimes be
profitable. Often such trade took the form of smuggling, which declined at the end of the century, once nearly all African currencies were realistically valued.

In the 1960s world trade with Africa accounted for about three per cent of overall trade. This percentage then declined slowly, falling to two per cent by the 1990s. At first sight this may not seem so terrible, until it is noted that South Africa accounts for almost half of the total, leaving just 1.2 per cent for the other forty-plus countries in sub-Saharan Africa. That is very little for a region that is home to ten per cent of the world’s population. If nothing else, this figure illustrates just how marginal a role Africa now plays in the world economy. In the past few decades there has been no appreciable diversification in the products exported by African countries. In other words, most of that 1.2 per cent still consisted of raw materials and agricultural products. What was worse, Africa was falling behind, relatively speaking, even in these traditional export sectors. Its share of the often rapidly expanding world market for raw materials and agricultural products was also shrinking. In the 1990s there were virtually no industrial or handicraft products among Africa’s exports. Products of this type made in African countries could not compete on the world market in terms of either price or quality.

One of the reasons often cited for the decline in African trade has been the difficulty African goods are said to have in gaining access to the large markets of the industrialised world. Europe and the United States have erected tariff barriers for both processed and unprocessed agricultural products and textiles. Fish and processed fish products cannot easily be exported to Europe. There are often quality standards which African products can only meet with great difficulty. On the other hand, under the Lomé Conventions (subsequently the Cotonou Agreement) and the General System of Preferences, very many products have almost unlimited access to the markets of the European Union and the United States respectively. In 2001 the European Union granted the very poorest countries unlimited access to its markets for nearly all products. Another obstacle to production and export by African countries are the subsidies that governments in Europe and North America pay their farmers.

Often, the policies pursued by African governments also stood in the way of African trade. Numerous rules and restrictions made it complicated and expensive to export goods, which were less competitive as a result. Transport was often run by state-owned enterprises. Sometimes they had been privatised in structural adjustment programmes, but continued to operate as monopolies. Trade with Africa generated the highest transport costs in the world. Instead of being streamlined, the rules governing imports often differed from product to product, and procedures were bureaucratic and impenetrable. In some cases local exports were heavily taxed, as were imports that were needed for local production. African governments remained reluctant to adopt measures that would encourage trade – far more reluctant than the governments of Latin American countries, which faced the same fundamental problems. Africans were less confident than Latin Americans that liberalisation would boost trade and hence the economy.

Nevertheless, the African economies responded to liberalisation in the same way as economies elsewhere. Deregulation and improved procedures did cause trade to pick up. The countries that went furthest in this process, especially Uganda and Ghana, achieved the best results, both at the outset (in the 1980s) and afterwards (right into the twenty-first century). The volume of African trade was remarkably small compared with other continents, but was average in relation to the size of African economies. Where governments succeeded in improving their trade policies, the volume of trade grew. In the 1990s, African exports increased by more than four per cent a year (compared with only one per cent in the 1980s), but the deterioration in the terms of trade meant that the increase in dollar income was only 2.2 per cent a year.

The nature of African exports did not essentially change. In the vast majority of countries, primary products were still the main exports. In four countries – Nigeria, Angola, Gabon and Congo (Brazzaville) – oil remained the mainstay of the economy. Then there was a group of ten mostly small countries that mainly depended on services (such as tourism), foreign aid and remittances from migrants. These included Benin, Burkina Faso, Djibouti, Eritrea, Gambia, Lesotho and Mozambique. Only a few, mainly larger, countries had export income from a variety of sources: South Africa (predictably), Kenya, Senegal and Cameroon.
The pattern for investment was similar to that for trade: investment in Africa around the turn of the century was negligible in comparison with the world as a whole, but in relation to the small economies in which it took place it was of considerable and indeed increasing importance. At the same time, better use of existing productive capacity made economic growth possible almost everywhere in Africa, although this usually required an injection of capital. Economic growth and investment are closely connected. Africa did not have much capital of its own, and poverty naturally meant that very little could be saved. In some countries, moreover, the assets present were not always used. African savings (money that could be used for investment) were the lowest in the world. In 1980, domestic savings in Africa equalled 16 per cent of the continent’s total GNP; twenty years later, in 2000, this figure had fallen to 14 per cent. By comparison, domestic savings in East Asia rose from 35 to 37 per cent of GNP over the same period. During that period, African consumption rose to more than 80 per cent of GNP.

There were considerable differences in savings between African countries, and the role of government also varied. Public revenue increased in some countries as a result of structural adjustment, but in other countries it fell. A case in point was Zambia. The Zambian government was notorious for its unsuccessful development policies, under both President Kenneth Kaunda and his successor President Frederick Chiluba. When sovereignty was transferred in 1964, Zambia was relatively well developed, with sufficient earnings from copper mining to be classified as a middle-income country. Yet, despite its natural resources and the absence of domestic problems, Zambia gradually went downhill. As foreign aid increased, the ruling elite lost all sense of responsibility. In the 1980s the international financial institutions had to intervene to stop the country going bankrupt. Wearisome negotiations between the Zambian government and the IMF and World Bank dragged on throughout the 1990s. Scarcely any of the policy changes that Zambia agreed to were actually carried out. Even so, donors continued to provide funding.

One of Zambia’s main problems was a shortage of public revenue. The copper mines were generating less income than in earlier years. The government earned very little from excise duty or services such as issuing driving licences. Of the little that did get paid, a great deal disappeared into the pockets of individuals and the remainder was quite inadequate. Far from rising, tax revenue actually began to fall from 1996 onwards. The small group of wealthy Zambians who could have formed the government’s power base were by then paying almost nothing at all. The poor no longer had material links with the state and the rich were rapidly shedding theirs. This left the Zambian government increasingly dependent on foreign support. In the 1990s, public revenue declined from 20 to 17 per cent of GNP. Domestic Zambian investment fell from 30-40 per cent of total investment in the years following independence to 10-15 per cent in the 1990s. Domestic development efforts had been almost entirely replaced by financial injections from abroad.

In Zambia and elsewhere in Africa, wealthy people (politicians and entrepreneurs – the two categories often overlapped) had sufficient international contacts to get their assets safely out of the country. They would not usually have dreamed of investing their money at home. Governments were expected to use their own revenue for investment; since independence, this had been the policy in many African countries, for ideological reasons and for lack of any alternative. However, cutbacks in public spending as part of structural adjustment, and failure to make sufficient use of taxation (for political reasons), had dried up this source of investment. What remained were the remittances that migrants in Europe, the Middle East or North America sent home to their families in Africa. The sums involved were often considerable. Migrants in some European countries sent home amounts comparable to the official development aid given by those countries. In Africa the money was used to build houses, start small businesses or purchase basic necessities.

For large-scale projects designed to introduce modern, competitive production methods, African countries were dependent on capital from other continents. Funds could be obtained in the form of development aid, but aid was not always aimed at increasing or improving productive capacity. Moreover, in the age of globalisation, in which everything else seemed by definition to be growing rapidly, the total amount of development aid to Africa actually declined. In 1990 development aid still accounted for a major share of overall investment in Africa, but by 2000 it had become relatively insignificant. Just as in the colonial period around 1900, overseas private capital
began to overshadow public funds. This was one of the most important changes that could be attributed to globalisation.

From the 1990s onwards it was no longer clear just how much was being invested in Africa. African governments often felt that in a liberalising world there was no longer any need for them to keep data on capital flows. Moreover, the institutions previously responsible for recording such things as foreign investment, in connection with structural adjustment programmes, had been abolished. As a result, much private investment was never officially registered. International institutions such as the UN Conference on Trade and Development (UNCTAD), the IMF and the World Bank published figures that were often highly divergent and, as detailed country-by-country research made clear, consistently too low. Only an approximate assessment can therefore be made of the amount of foreign private investment in Africa.

The surprising discovery was that this capital flow, which increased rapidly during the 1990s, reached almost all African countries, not just the richest. Admittedly, South Africa was by far the largest recipient, but the interesting thing was that, in relation to the size of their economies, it was the poorest African countries that received the most investment. Investment in South Africa equalled about 5 per cent of the country’s GNP, but in countries like Tanzania and Uganda the figure was up around 10-15 per cent – as high as in the fastest-growing Asian and Latin American economies.

The main component of this flow of capital to Africa was direct investment, which increased rapidly during the 1990s. The total around 1990 was just over one billion US dollars a year, but by mid-decade this had increased to some five billion dollars a year. South Africa’s share of this rose from just over 10 per cent in 1991 to 37 per cent in 1997. Its share of the new investment funds for Africa (discussed below) was as high as 90 per cent. The international financial and economic world evidently saw South Africa as a unique case – the only economy on the entire continent that could be termed an ‘emerging market’ (section f). The bulk of international private investment went into emerging markets. However, after a number of crises in countries such as Russia (August 1998) and Brazil (January 1999), investors lost a great deal of their confidence in these markets. Some investment was rerouted to poorer countries in regions such as Africa, which thereby suddenly had access to additional capital.

What is especially noteworthy is that sources of private capital became more diverse. Prominent among the new investors were South African companies, which often had their headquarters in Western countries (a legacy of the apartheid era). South Africa became a leading economic power in other parts of the continent. East and Southeast Asian countries also began to invest in Africa. Japan’s role was relatively minor – the main players were South Korea, Taiwan, Singapore, Malaysia and China (including Hong Kong). Most of this Asian investment was in construction and communications. However, the Asian crisis of the late 1990s reduced Asian investment in Africa. Other important new investors were ethnically Asian entrepreneurs who had once lived and worked in East or Southern Africa, many of whom had been forced to leave in the 1970s. They channelled large amounts of money back to Africa in order to set up or expand businesses there. These groups gained ground at the expense of traditional European and North American investors. It was American investment that was scaled back the most, despite the Clinton government’s Africa policy, which was specifically aimed at encouraging American businesses to invest in Africa.

However, the fastest-growing flow of capital came from investment funds. These did not amount to much in the years before 1990, but from 1992-1993 onwards that changed fast. The South African funds grew in value to more than eight billion US dollars, and the Pan-African funds to about 700 million dollars. In addition, African businesses made up a share (probably between five and ten per cent) of certain global funds and emerging market funds. This was a major source of capital for countries such as Zimbabwe and Zambia. In the closing years of the twentieth century more and more Pan-African funds popped up – about twenty by 2000. Stock exchanges were opened outside South Africa. In Francophone Africa, branch offices emerged; for example, the Abidjan stock exchange in Ivory Coast opened a branch in the Malian capital of Bamako. These exchanges were, of course, tiny by international standards, but nevertheless they formed part of a somewhat more modern approach to business finance.
During this period, relatively little capital reached Africa in the form of commercial bank loans. Hardly any long-term loans were granted, although some countries did receive non-guaranteed short-term loans. Estimates of the total amount varied greatly, but were never high. More funds were generated by bond issues – about one billion US dollars a year. Since most African states were not sufficiently creditworthy to issue bonds, only a few could take advantage of this source of funding. South Africa was once again at the forefront, followed by Nigeria and Namibia.

c) Slow economic growth

The crucial question is whether economic reform, trade and investment led to the growth that was needed to resurrect Africa’s economies after two decades of stagnation and even decline, and whether globalisation was ultimately good for the economy. At first the answer appeared to be yes. That may surprise many people who associate Africa with scenes of fighting, famine and misery or have heard criticism heaped on the structural adjustment programmes. However, the figures for the mid-1990s, imprecise though they often are, definitely support a positive conclusion. If we look at the African economy as a whole, it is true that growth was very slow immediately after the end of the Cold War, but it later picked up. Economically speaking the best year was 1996, with a growth rate of 5.8 per cent. Growth then slowed down again, initially to 3-4 per cent a year. A few countries such as Mozambique, Uganda and Ghana stayed well above this level, and almost none fell far below it. The least developed countries usually achieved growth rates that were above the continental average. By the end of the century it was the oil-exporting countries that were growing fastest, thanks to high oil prices.

Given the slow rate of growth at the beginning and the decline at the end of the decade, the rate of growth in the 1990s as a whole was only 2.8 per cent (still somewhat better than the figure of 2.5 per cent for the 1980s). This equalled the average rate of population growth. Progress in per capita terms was thus nil. Furthermore, growth was very unevenly distributed, and large groups did not benefit from it at all. As a result, the average per capita income in these groups continued to fall in the 1990s. Even so, the declining trend that had prevailed during the Cold War was to some extent reversed. On balance, the situation stabilised. Under extremely difficult internal and external conditions, through very painful reforms, economic decline had been brought to a halt almost everywhere by the mid-1990s.

This was no mean achievement. Although in certain countries the expected profits in some sectors were considerable, so were the obstacles and risks. The overall political and social situation in Africa was far from attractive to potential investors. Markets were small and purchasing power limited. Employees had little or no experience in manufacturing. Labour productivity was low, and so was the level of education; many employees were illiterate. Entrepreneurial skills were scarce. African producers were not usually aware of the standards that prevailed on the world market, for example with regard to product quality. Hardly any countries had a well-developed financial sector, and apart from South Africa they were all technologically backward. Despite years of massive international assistance in developing such things as road systems, Africa’s physical infrastructure was in decay. Perhaps more important, however, were the political circumstances. Corruption was practically ubiquitous, abuse of power was common, lawlessness and insecurity prevailed, and political unrest could lead to instability – hardly an attractive environment for long-term investment.

Accordingly, investors began turning away from Africa again in the second half of the 1990s. Extensive fighting broke out in the Great Lakes region, and Ethiopia and Eritrea came into conflict once more (see chapter 6, section d). This cast a shadow on the picture that outsiders – including potential investors – had of Africa. At the same time, African countries were making little progress with economic and administrative reform. Of the world’s continents, Africa continued to have the worst governance and the worst policies. The relatively rapid growth achieved in the mid-1990s could not be maintained. After peaking in 1996, the growth rate declined year by year, and by the opening years of the twenty-first century it had fallen to an average of just two per cent. Furthermore, prospects were gloomy, since Africa was feeling the impact of the worldwide slump that followed the attacks of 11 September 2001 in the United States.
The continent therefore failed to increase its share in the globally expanding economy in a lasting way. Its exports were still largely limited to agricultural products and raw materials. Apart from South Africa, no African country succeeded in making industrial or handicraft products that the rest of the world wanted to buy. In the decades immediately after independence, African countries, with their relatively closed economies, had been unable to build up significant industries of their own and capture a larger share of the world market. Yet in the more open economic climate of globalisation, from the 1990s onwards, they seemed unable to do any better. It should be noted that Africa had not yet done nearly enough to adapt to the new situation, and that most governments were very reluctant and in some cases openly unwilling to tread the path of liberalisation. In any case, however, the economic outlook was far from rosy. With rates of economic growth often lower than the rate of population growth, there was no way to raise living standards.

Yet, despite these persistent economic problems, there had been major changes in the structure of the African economy over the preceding decades. In the period from about 1960 (when many countries became independent) to the end of the century, the first conspicuous trend is the dramatic decline in the share of agriculture (including stockbreeding) in the economy. In 1960 agriculture still accounted for 40 per cent of Africa’s GNP, but by 2000 this figure (despite a rise in productivity of 30 % over these forty years) had fallen to just 21 per cent. Strikingly, however, the leading position was not taken over by industry, which grew very little over the same period; its share only rose from 26 to 30 per cent. The processing industry’s share increased from 9 to 15 per cent.

Really substantial growth occurred outside these traditional economic sectors, namely in services, whose share of the economy grew from 34 per cent in 1960 to 50 per cent in 2000. Admittedly, growth in the service sector was a worldwide phenomenon in the age of globalisation, but the situation in Africa was unusual in that most of the work done in this sector was ‘informal’, i.e. there was no contact with or use of formal structures or agreements. There were fewer and fewer institutionalised jobs in the public sector as a result of the structural adjustment programmes, and there was insufficient growth in the formal private sector to make up for this loss. By 2000 only a small part of the working-age population had work in the formal sector. This left people with no option but to start working for themselves.

The term ‘informal sector’ summons up a picture of newspaper vendors and tiny shops, but the sector should not be underestimated. It had the flexibility to respond readily to new developments and gaps in the market, and it generated a good deal of employment and income, much of it for women. Incomes were sometimes much higher than the African average of USD 1,500 a year. The informal sector could be seen as a breeding ground for entrepreneurs. Yet microbusinesses and small businesses very seldom developed into bigger ones. This was due to a lack of know-how, training, credit and perhaps the necessary entrepreneurial skills. Often small ‘businesses’ were not run in a businesslike fashion at all.

Many African businesses run by locals were also hampered by social and cultural factors; above all, the patronage system. If African entrepreneurs turned a profit – the ultimate goal of any business – then friends, relations, acquaintances and quite possibly many others turned up to claimed their share. The few fortunate businesspeople who managed to amass a little wealth were under enormous pressure to spread it around. This pressure cannot usually be ignored. In some cases, those who refused to share suffered unpleasant consequences. The means used to force people to part with some of their profits sometimes even included witchcraft.

Foreign businesspeople in Africa felt little or no such pressure. Often, they came from cultures where the nuclear family had clear boundaries; those who fell within them had a right to share in the wealth and all others did not. Almost nowhere in Africa was there a clearly defined notion of the nuclear family, and so in effect the claims of solidarity knew no bounds. Some African businesspeople even migrated to escape the pressure from their own relations and the other people around him. Others decided to give up on the business world, since it only led to trouble with family and friends. In short, clientelism held private enterprise and personal development in a stranglehold, perpetuating the status quo in both societal and individual terms. The Swiss anthropologist David Signer concluded that in Africa failure can be forgiven, but not success. This attitude formed a major barrier to economic growth and development.
Other cultural factors may have played a part. Many Africans preferred to be thought of as wheeler-dealers rather than managers. Legality was the exception, not the rule. The motto seemed to be ‘anything goes’. For example, a street vendor who cheated his customers by giving short measure was seldom the object of public censure. Instead, such trickery at other people’s expense was considered clever or sharp, even admirable. President Konaré of Mali, on the other hand, called this a culture de tricherie, a culture of double-dealing.21 He added that this widespread habit made it difficult to do serious business, since people did not trust each other enough to work together financially.

The rise of the informal sector was good for the economy and for society. However, this unintended effect of the structural adjustment programmes of the 1980s was bad for the state, since it could not make any money out of it. The informal sector was in some ways a law unto itself, and it paid no tax. As a result, African governments lost control of much of the economy in the space of a few years. The impact was mixed: the economy had to manage without the benefits normally provided by government, such as adequate infrastructure, but on the other hand it was spared the state’s predatory attentions. In the informal sector, individuals were beyond the reach of government and could no longer be bled dry.

In order to complete our economic and financial overview, we must look at Africa’s debts. The continent’s massive debts partly date back to the pre-globalisation period, but are also partly the result of loans connected with structural adjustment programmes. Furthermore, the amounts African countries had to pay their creditors (interest plus capital) were so large, even after the end of the Cold War, that Africa’s economic position cannot be correctly assessed simply by looking at inflows of capital to the continent. Outflows of capital are important too.

In fact, there is nothing odd about high repayments on loans and the resulting large outflows of capital. That is what happens when a country borrows money instead of receiving donations. Accordingly, the indebtedness of African countries must be seen in the light of a more general problem they faced in the age of globalisation; namely, their inability to generate sufficient returns on investment. Borrowed money must yield a profit, if only so that the loan can be repaid. When loans were used for purposes of redistribution and consumption, as happened so often in Africa, it frequently became impossible to repay them. Africa’s economic – or rather, uneconomic – system was one reason for its debt problem and hence its marginal position in the globalising world. This issue is discussed in chapter 9, section d.

d) Regional cooperation and African unity

At the beginning of this chapter, we saw that globalisation undermined the authority of the state. Particularly in the most developed parts of the world (such as Western Europe), states saw their sovereignty leak away in two directions, as tasks and powers were transferred either to supranational organisations or to subnational levels of government. The main motive for growing international cooperation was economic, while state tasks were often transferred to lower levels for cultural reasons. The same processes took place in Africa, except that the results were very much coloured by the weakness of the state. There is a link between a state’s strength and its willingness to give up tasks and powers. Paradoxically, voluntary and orderly transfers of authority only take place when the state is in a position of strength and legitimacy. Weak states tend to cling desperately to their limited power.

Given the shaky power base of Africa’s elites, it had not seemed likely that they would voluntarily strengthen either regional (supranational) organisations or local government at home. The fact that both of these things did occur across large parts of the continent in the 1990s cannot therefore be explained solely with reference to the African environment. There were certainly good substantive reasons for greater regional cooperation and for decentralisation, but African rulers could not be expected to pursue such policies of their own volition. Only strong international pressure could induce them to do so. Such pressure was only effective when donors backed it up with promises of funding. The policies that Western countries wanted to see (whether regional cooperation or decentralisation) were of interest to Africa’s elites because they created new opportunities for patronage and
clientelism. In practice, the supranational and subnational institutional development and ‘capacity-building’ advocated by the international community often simply led to the creation of new jobs for local elites. This section will look at regional and continental cooperation between African states. Decentralisation will be discussed in chapter 10, section d.

There was regional cooperation in Africa even in the colonial period, but it received an additional boost when independence came. Visions of African unity could not be realised, but the new leaders quickly agreed on the need for greater regional cooperation, especially in the economic sphere. The small newly independent countries would, it was thought, have a better chance of developing jointly, shielded by a system of common tariffs, than separately. In the 1960s and 1970s this led to the creation of a vast array of African regional organisations – so many, in fact, that in the second half of the twentieth century there was officially more regional cooperation in Africa than on any other continent. However, there is little point in listing these organisations, for most of them proved extremely ineffective, never moving beyond the conference hall or the drawing board. The participating countries were often eager to reduce or even abolish reciprocal tariffs and other barriers to trade, in other words to create free-trade areas of one kind or another. The idea was that they would complement each other economically. Yet they were unable to make real progress, for two reasons.

First of all, almost all the African economies were so tiny that they formed only a small market even when merged. Consequently, economic cooperation made no tangible difference to potential foreign investors. Only in the case of SADC was regional cooperation an interesting prospect for foreign firms, due to the large South African market. The European Union therefore worked to negotiate a free-trade agreement with South Africa or SADC. However, this was an exception to the general rule. In reality, the small national markets were not even properly integrated into a regional market. The participating countries were usually full of good intentions, but that was all. Far too little was done to harmonise national legislation in preparation for a free trade area, let alone a common market. National political leaders were unable, or unwilling, to put in the effort.

The second structural problem was that the participating countries’ economies were almost totally undiversified. They all had the same kind of one-sided structure, based on the production and export of primary products. This meant they had little incentive to trade with each other. Trade between members of African regional organisations seldom exceeded 5-10 per cent of their total exports.22

The failure of regional economic cooperation in Africa contrasted starkly with developments elsewhere. In many regions, internal trade and investment often grew so fast that it was more accurate to speak of regionalisation than globalisation. This was true of trade blocs such as the European Union, NAFTA in North America and ASEAN in Southeast Asia. In the 1990s internal trade within the European Union – the most powerful trade bloc in the world – accounted for no less than seventy per cent of member states’ total trade.

In the 1990s intraregional trade in Africa declined rather than increased, as more and more national currencies were allowed to find their true value. This made prices more realistic and more convergent, so that reciprocal trade was even less profitable. On the other hand, African regional integration was encouraged by the structural adjustment programmes, which involved trade liberalisation. That made it easier for neighbouring countries to work together. There was also some domestic pressure from groups of entrepreneurs who wanted to start exporting and therefore had an interest in regional cooperation. If regionalisation is seen as a step on the way towards further global integration, we must conclude that Africa was unable to take this step because it was economically underdeveloped.

Africa’s regional organisations extended their range of activity in the 1990s, however. They began to tackle political issues as well as economic ones, particularly in the field of peace and security. In earlier chapters it was noted that African countries became more involved in each other’s internal affairs after the end of the Cold War. This was a logical response to Africa’s problems with regard to war and peace, but it created new problems. With support from the United States and Europe, the African organisations began to take on conflict prevention and crisis management. This was in the interest of both Africa and the West; it meant that there was less need for Western countries
to become directly involved in African conflicts, and that African countries obtained the funds they needed to create or expand their capacity, which was of vital importance in helping national politicians maintain their power bases. Both sides could also claim that primary responsibility for preventing or ending violent conflict lay with countries in the region. In assuming this broader range of political tasks, the African regional organisations appeared by the turn of the century to be shrugging off some of their former apathy.

There were many regional organisations in West Africa, with the Francophone ones linked to Paris. The most important one was the Economic Community of West African States (ECOWAS), established in 1975. It included all the West African countries, irrespective of their colonial past. The ultimate goal of setting up a common market remained a long way off. There was also little progress towards other goals, such as the establishment of West African citizenship, with a single passport. What did bring ECOWAS into the international limelight was its decision to take a hand in ending the violence first in Liberia and later in Sierra Leone – the first time a purely African multilateral force had ever carried out a peace operation.

The greatest boost to regional cooperation in Southern Africa was the abolition of apartheid in South Africa. When South Africa joined SADC, the face of the organisation changed completely. The medium-sized states that had shaped SADC during the struggle against apartheid now saw themselves overshadowed by their former foe. The members found it difficult to reach agreement, due to fears that South Africa wanted to use SADC to gain economic control over the others. There was similar distrust about initial attempts at political and security cooperation.

Other parts of Africa had even less meaningful regional cooperation, although in the 1990s the East African Community (EAC) received something of a shot in the arm. The organisations in Central Africa existed only on paper. In 1986 a body was set up in the Horn of Africa to combat the effects of drought and desertification. In 1996 it was expanded and given a new lease of life as the Intergovernmental Authority on Development (IGAD). However, IGAD’s efforts to promote development were thwarted by the extensive fighting in the region, and it began to focus on crisis management instead. In particular, it attempted to mediate in the conflicts in Sudan and Somalia.

For the record, there were many international – but not exclusively African – organisations (such as the UN’s many specialised agencies) working in Africa. The fact that Africa was lagging behind in its development was a source of great concern at UN headquarters in New York and Geneva. One special initiative after another was launched in support of African development. However, the international organisations working in Africa had the same characteristics as the African regional organisations; in the words of a top official, they were ‘strong on principles, weak on tactics and nonexistent when it came to action’. As a result, the United Nations generally played only a marginal role in Africa. The fact that from 1996 onwards the UN Secretary-General was an African – the Ghanaian diplomat Kofi Annan – was of purely symbolic value.

The gulf between high-flown ideals and practical implementation was greatest of all in the Organisation of African Unity (OAU). African unity existed only in ideological and psychological terms, in the sense of an invented common past. In other respects, for example culturally or economically, Africa was largely fragmented. General characteristics that could be labelled African have been discussed in various chapters, such as the weak position of national elites and the all-pervading nature of political power. These traits led to less continental cooperation rather than more. Accordingly, OAU meetings were mainly publicity stunts. In the 1990s, however, the organisation was able to take advantage of the increased international interest in crisis management. In 1999-2000 it helped to end the war between Ethiopia and Eritrea by acting as an intermediary.

Around the turn of the century there was an unexpected call for African unity, but from a suspect quarter: the North African state of Libya. After years of isolation, not only from the international community but even within the Arab world, President Gaddafi of Libya had a plan to put himself back in the public eye. At special meetings of heads of state and government of OAU member states in Gaddafi’s birthplace, Syrte, in September 1999 and March 2001, African leaders decided to replace the OAU with an African Union. In July 2002 the big step was finally taken. At a summit in Durban, South Africa, the African Union officially replaced the OAU.
Continuing economic dependence on Europe

As a result of its geographical proximity and historical ties, Europe was the continent that was most closely involved in Africa. The main European powers all had their own Africa policies. But with the first step towards European integration and the establishment of a supranational organisation in Europe under the Treaty of Rome in 1957, one question that immediately arose was whether the organisation should also establish relations with other countries and regions, such as Africa, in its own right, in addition to member states’ bilateral links. The French government insisted that its special relationship with Francophone African countries be acknowledged and given a place in the new European structures. This led to association agreements between the European Community and Francophone countries, agreements that were later merged into the Yaoundé Convention.

This special status for France’s former colonies only came to an end when Britain joined the European Community in 1973. Germany and the Netherlands, which had never been happy with the emphasis on the Francophone countries, joined forces with Britain to promote a more inclusive relationship between Europe and what were then starting to be known as developing countries. The idea was that an agreement should be signed between the European Community and all its member states’ former colonies in Africa. The handful of African countries that had never been European colonies were subsequently added to this list, as well as the small island states in the Caribbean and the Pacific. In 1975 the first convention between the European Community and this group of dozens of countries, jointly known as the ACP (Africa, Caribbean and Pacific) countries, was signed in Lomé, the capital of the West African state of Togo.

What made this meeting so unusual was not only the number of participating countries, but also the emphasis on signing a convention. Years of negotiations preceded each renewal of the convention, which took place every five years. Under international law, any country that was a party to the convention, however poor, could enforce compliance with all of its provisions. Naturally the convention included a substantial aid component. This aid, which in fact was about equal to the amount provided by the individual member states combined (around 20 billion euros a year), was mainly in the form of programme aid: various forms of financial aid not linked to specific projects. It was mainly intended for improvements to infrastructure, rural development and food supply.

However, the agreement was not just about aid. The special thing about the Lomé Conventions was that they acknowledged the importance of trade between Europe and the African countries. The Lomé countries were granted trade advantages by the European Community (later the European Union). No import duties were levied on the vast majority of African exports. This preferential treatment was not reciprocal: the African countries were allowed to impose tariffs on similar products from Europe. In the 1970s and 1980s this was seen as a major advantage for African countries, but the accompanying protectionism eventually proved more of an economic drawback.

In any case, there was no free access to the European market for a number of agricultural products that were produced in both Europe and the ACP countries, although import duties on them were reduced. Textile products and leather were also excluded. Of course, these exceptions constituted barriers to African exports to Europe. The products concerned had great export potential for the ACP countries– otherwise Europe would not have seen any need to make exceptions. Spectacular estimates circulated of the potential income Africa was losing as a result of the remaining trade barriers. However, this should be put in proper perspective. Even the many products on which no import duties at all were levied were exported in limited quantities, and exports of some products even declined over the years. Often, African products were of poor quality, failed to meet all kinds of health, packaging and other standards and were relatively expensive – in short, they could not compete internationally. Even with free access to the European market, African products were still often no match for, say, Asian ones.

In 2001 the European Union decided to open up its markets to all products from countries where per capita income was less than one US dollar a day. There were forty-eight such countries, the majority of them in Africa. At the urging of France, Spain and other southern European member states which wanted to protect their own agricultural sectors, exceptions were made for three products. A quota...
was maintained for banana imports until 2006 and import tariffs were to remain in force for sugar and rice until 2009. As a result of this measure, exports from the poorest countries to Europe were expected to rise by fifteen per cent.

The chief remaining problem for African economies was the large subsidies that the European Union paid its farmers. Although not alone in this, Europe was certainly the most extreme, paying twice as much subsidy per farmer as the United States or Japan. On an annual basis the subsidies that rich countries paid their farmers at the end of the twentieth century were equivalent in value to Africa’s total production. This enabled industrialised countries to sell their agricultural products, especially meat and dairy products, well below the market price, even in developing countries.

This unfair competition, which was even more distorted due to Europe’s habit of dumping surplus products below cost price on the African market, was a serious obstacle to the development of a healthy agricultural sector in African countries, and hence the development of African economies as a whole. The EU’s Common Agricultural Policy, which was responsible for this, became notorious for its inconsistency with European development policy. This was euphemistically referred to as ‘incoherence’, which meant that policies interfered with each other. European development policy attempted to strengthen African agriculture, seen as part of the economy in general, but European agricultural policy weakened it.

Incoherence took many forms. In 1997, for example, the European Union signed an agreement with the government of Senegal under which it paid for the right to fish in Senegalese waters. This had benefits for both parties: it gave the Senegalese government greater financial latitude, and fishermen from the southern member states of the EU had access to well-stocked waters once more. The people who lost out in all this were the fishermen on the Senegalese coast. For centuries they had set out to sea in their small boats, and their catch had formed the basis for the coastal economy. The sale of fishing rights to foreign fishermen drastically reduced stocks in their traditional fishing grounds. None of the money that the government had earned from the agreement was passed on to them. Yet Senegal’s fishermen had long been receiving support from individual member states of the Union, which provided aid so that small-scale fisheries could be modernised. The European Union and its member states were thus pursuing different policies, with conflicting effects.

However, the incoherence between different areas of policy within the European Union was even more striking. There were various reasons for it. In part, it was clearly a reflection of the conflicting interests of groups and institutions within the EU, probably aggravated by the Union’s convoluted, obscure decision-making procedures. Moreover, development cooperation did not have an important place in European politics as a whole. Ignorance of the impact of European agricultural policy on developing countries may also have played a part. By the beginning of the twenty-first century, however, European development ministers had policy coherence at the top of their agendas, and a debate on agriculture began in the rich countries.

The Lomé Conventions also set up compensation funds to protect developing countries against loss of income from exports. The Stabex Fund could be used to cover falls in prices of agricultural products, and the Sysmin Fund for falls in the prices of mining products. The idea was to guarantee poor countries more or less fixed incomes from their exports and so counter the effects of fluctuations in world market prices. Cocoa-producing countries, in particular, benefited from this in the short term. In the long term, however, the funds had a serious drawback. Interference with the price mechanism meant that prices could no longer perform their economic function. When world market prices fell, developing countries no longer had an incentive to switch to other export products. This problem was aggravated by the fact that prices of raw materials turned out not to be fluctuating but to be falling constantly for structural reasons. The funds were soon exhausted, but African economies continued to focus on the wrong products. The unintended effect of subsidies, from Europe and other donors, was to help preserve reliance on one or two main exports in many African countries at a time when there was an urgent need for diversification.

In the 1990s the subject matter of the Lomé Conventions was broadened to reflect the new recognition that the main reasons for Africa’s failure to develop were political in nature. In 1991, for the first time, European development ministers began to focus on human rights and democratisation.
The same issues were reemphasised in the Maastricht Treaty on European Union in 1992 and again when the Fourth Lomé Convention was revised in 1995. As a result of ongoing and imminent violent conflicts in Africa, conflict prevention also climbed higher and higher up the political agenda. In fact, this was an extremely delicate matter for the European Union, since various member states – particularly France, Britain and Belgium – were themselves involved in Africa’s conflicts. The same was, of course, true of the United States. Their often traditional links with certain parties meant that EU member states sometimes backed different sides in the same conflict. The historical role that they had played in Africa often made it difficult for the EU to adopt a clear, joint position.

In 2000, Lomé was no longer the place where the new agreement was signed. This time the honour fell to Cotonou in neighbouring Benin. The bulk of the funds committed took the form of programme aid. Stabex and Sysmin each absorbed less than ten per cent of the budget. Large sums were also allocated as ‘venture capital’ for economic development, support for structural adjustment and emergency aid. Like the Lomé Conventions, the Cotonou Agreement drew largely on the European Development Fund. This fund did not fall under the ordinary European budget, but was periodically replenished (normally every five years) by separate contributions from member states.

Although the formal ties between Europe and Africa gradually became looser in the age of globalisation, Europe was still of crucial importance to Africa. The EU member states quite simply formed the largest trade bloc in the world and Africa’s main trading partner. About half of African countries’ total imports and exports were with Europe. More than half of their aid came from Europe. Together the EU and its member states were the largest group of donors to developing countries, and the EU was the largest contributor to institutions such as the World Bank and the UNDP. There were consultative structures such as Lomé/Cotonou and those between France and the Francophone countries, but there had never been broad top-level consultations between Africa and Europe. In 2000 it was felt that the time had come.

In April of that year, after lengthy, laborious preparations, the heads of state and government of the African countries (including those in North Africa) and the member states of the EU met in the Egyptian capital Cairo for a two-day exchange of ideas on political and economic issues and development cooperation. Topics ranged from the integration of Africa into the global economy to the prevention of violence against women. No specific decisions were reached. The significance of this first-ever African-European summit lay not so much in its achievements as in the sheer fact that it took place. Leaders who had not been on speaking terms were once more able to discuss such things as the conflict in Sudan. Some felt the most important decision reached at the summit was that another intercontinental meeting would be held in 2003, this time in Europe (Lisbon). This second summit, however, was postponed because the European participants were unwilling to meet President Robert Mugabe of Zimbabwe there.

f) South Africa: an emerging market

As mentioned, one key feature of globalisation was a worldwide increase in private investment. However, private investment in Africa was on a much smaller scale than elsewhere in the world. Official aid (development aid, roughly speaking) remained the main source of external funding for almost all African countries. Only in a few of them – Angola, Botswana, Ivory Coast and Ghana – were both private and public investment significant. The only large African country to depend mainly on private investment was South Africa.26 As Africa’s economic powerhouse, the country was the only one in Africa (apart from Nigeria, very briefly) to be granted the prestigious title of emerging market in the newly globalising world. An emerging market is one that is large enough and has sufficient growth potential to be attractive to international businesses. It was thought that in the age of globalisation such economies would attract so much private capital that they would become permanently integrated into the global economy. The criteria, apart from population size and per capita income (i.e. a country’s purchasing power), were infrastructure, skills and expected political stability.

South Africa scored relatively well on all these criteria, far better than any other African country. Nigeria and Ethiopia had larger populations, but purchasing power in both countries was
minimal (except for that of the Nigerian elite, who had grown rich on oil). Throughout Africa, infrastructure and skills were insufficient to attract international businesses. In some cases the political prospects were so uncertain that foreign businesses preferred to postpone investment. Of course, the situation varied from country to country. Countries with ample oil reserves were always attractive to major oil companies. Some other African countries (such as Ghana, Ivory Coast, Kenya and Zimbabwe) were economically more versatile and may even have had reasonable prospects, but their economies were too small and their political futures too uncertain to attract much international interest.

That left South Africa. With production amounting to a full forty per cent of the continent’s total GNP, South Africa was in a league of its own. Internationally the country was on a par with such emerging economic powers as Brazil, Russia and some Asian states. Its economic strength was the result of a long history that had begun with colonisation by the Dutch and the British. This led to a complex relationship with the local black population, culminating in the apartheid system, which had various implications for the country’s economic development. On the one hand, apartheid limited South Africa’s chances of integration into the world economy, because many Western countries refused to trade with it in protest; on the other hand, this very rejection forced South Africa to be economically completely independent, which gave the economy a powerful boost. In the first half of the 1990s apartheid was abolished and the reins of power passed largely into black hands. This made South Africa the only country in Africa where political and economic power did not coincide, for economic power was still in white hands. It was unclear whether this situation would last and whether the country would remain stable (see chapter 10, section g). In any case, the international community was enthusiastic about the peaceful end to apartheid and there was great willingness to invest in the new South Africa. Its prospects were thus encouraging.

South Africa’s post-apartheid governments, first under Mandela and De Klerk, then under Mandela only and finally under Mbeki, made the most of the international enthusiasm. They pursued neoliberal policies designed to attract foreign investment. This was considered necessary in order to develop the country further and spread the benefits of development more widely, since domestic savings, at just fifteen percent of Gross Domestic Product (GDP), were far too low for domestic investors to provide the bulk of the investment needed. With a savings ratio of fifteen per cent, South Africa put itself at the mercy of the international capital market. This hitherto protectionist country opened up to the outside world, regionally (it joined SADC, thereby increasing that organisation’s economic importance) as well as globally. Negotiations began on a free-trade agreement with the European Union. However, some EU countries were so concerned about South Africa’s competitive edge as a rival exporter of products that were significant for their economies, that they tried to introduce all kinds of exemptions. Years of wrangling over details drained the agreement of much of its substance. When it was eventually signed, many felt that a valuable opportunity had been wasted.

Despite these problems, South Africa became more and more integrated into the global economy. This left it increasingly vulnerable to the caprices of the international capital market that so typified the first few years of globalisation. The crises of 1998-1999 in Asia, Russia and Brazil were seen as a potential threat to all emerging markets. In fact, South Africa did not remain totally unscathed, even though the adverse impact was cushioned by the government’s austere financial and monetary policies. However, the economic growth rate of three per cent a year that had prevailed immediately after the end of apartheid could not be kept up, and in 1997, 1998 and 1999 the South African economy grew by just one per cent a year. It was not until 2000 that growth picked up again, to over three per cent a year. The economy as a whole was doing well at the start of the millennium, with inflation down to five per cent and the budget deficit down to three per cent. The Johannesburg stock exchange (the biggest in Africa) broke record after record, and internationally South Africa gained a reputation as one of the most promising emerging markets.

Apart from economic growth, the main goals of South African economic policy were higher employment and fairer distribution of wealth. This policy was known as GEAR (Growth, Employment and Redistribution). Higher employment was crucial in order to increase the incomes of the black majority and thus distribute wealth more equitably. In practice, however, the policy had
little effect. While population growth was increasing the potential workforce by 350,000 a year, the number of formal jobs fell by half a million in the years after apartheid was abolished. Employment rose to a staggering thirty-five per cent. Despite the strength of the economy, the social crisis persisted. Wealth remained largely concentrated in the hands of the few; in 2000 about one South African in five had less than one US dollar a day to live on.

These developments made it clear that economic growth did not automatically lead to higher employment or fairer distribution of wealth. Accordingly, there was increased pressure on the ANC to abandon its free-market policies, especially from the South African Communist Party and the socialist trade union congress COSATU. Although they both supported the ANC-led government, they were very much opposed to a free-market approach. President Mbeki acknowledged that too few jobs had been created. In particular, investment by large transnational companies had not created as many new jobs as expected. However, he insisted that the government could not and should not create jobs itself. On the other hand, he added, it could do more to encourage enterprise among the black population. President Mbeki then announced a new revolution in South Africa – not a political one this time (like the abolition of apartheid), but an economic one. From 2000 onwards the more controversial components of GEAR, such as privatisation, labour market flexibilisation and measures to assist small and medium-sized businesses, were rushed into practice under the name ‘Mbekonomics’.

In turning South Africa into a new economic power, great use was made of the technological advances that are such an important part of the globalisation process. In the field of information and communications technology (ICT), the country was on a par with Europe and far ahead of other African countries. Of the 2,250,000 people in Africa with mobile phones at the end of the 1990s, two million were South Africans. The government supported wider use of mobile phones all over the country, in part by setting up mini-telecentres and telephone shops in various rural areas. Three quarters of the nearly one million African Internet users were South African, and so were almost all the African websites.

The government placed great emphasis on technological progress. In 1996 South Africa even hosted the Global Information Society and Development Conference. At that meeting the government raised the problem of universal access to ICT within countries (including access for disadvantaged population groups and remote areas). South Africa’s technological development also had an impact on neighbouring countries. Southern Africa as a whole was the most advanced region in Africa when it came to ICT.

**g) Africa and the technological revolution**

From the mid-1990s onwards there was an explosion of ICT innovations and applications around the world. The ICT sector was no longer just a new economic sector in which goods and services were produced. Instead, it had a major impact on the entire economy through its influence on other sectors. Information became an integral part of almost all economic activity, and it was knowledge that fuelled this ‘new economy’. The application of new knowledge and information made it possible to generate even more knowledge and information, in a mutually reinforcing loop. The human brain was no longer just the power that controlled all production systems, but a productive force in its own right. As a result, education and training rapidly grew more important. The gap between developed countries – North America, followed by Japan and several other East Asian countries and then Europe – and developing countries widened. Developing countries played a limited part in the technological revolution, with a few exceptions such as India, which was among the leaders.

Africa’s poor educational systems and technical capabilities left it at the bottom of the ladder. It was by far the least computerised part of the world, and lacked the basic infrastructure that was needed in order to use computers. ICT skills were non-existent or very limited. Where use was made of ICT, it was ‘passive’, i.e. it was entirely focused on routine data processing rather than creative use of information, for example computer-assisted decision-making.

In 1996 there was one personal computer for every three hundred Africans, compared with one television set for every thirty and one radio for every five. In the 1990s, then, the radio was still the most important mass medium. However, the Internet spread rapidly in the years that followed (see
later in this section), so that these 1996 figures were soon out of date. As for fixed telephony – which was of great importance, since telephone lines are the basis for the Internet – the situation in 1996 was not much better, with just one telephone for every fifty Africans. In some sparsely populated countries this figure was even lower. However, the almost complete lack of telephone lines created opportunities to rapidly introduce new technology, such as digital circuits and optic fibres. Newcomers were able to take full advantage of the latest developments. Rwanda used part of the aid it received following the genocide to set up a modern telephone system. Rural Botswana also made a successful leap to high-tech communications.

Mobile phones had the potential to revolutionise communications in Africa. At the end of the Cold War there were only six African countries where mobile phones could be used, but by the turn of the century they could probably be used in every single one. Most mobile services were introduced and maintained by private companies. However, coverage often remained limited to capital cities and main routes. Perhaps the main advantage of mobile telephony was that it circumvented the problems associated with ordinary fixed telephones. In almost every country, conventional telephony was in the hands of state-owned enterprises which provided poor service. It often took years before applications for telephone were handled. At the end of the 1990s more than one million Africans were on waiting lists for fixed telephones. Even if people had a telephone, it could break down for all kinds of reasons. The systems were least reliable in the rainy season owing to water on the lines.

Mobile phones, on the other hand, provided rudimentary telephone services in areas where the prospects of having fixed lines were poor. If linked to the Internet, they also made it possible (at least to some extent) to supply rapidly growing markets – an essential contribution to overall economic growth. The business community put great pressure on governments to further privatise Africa’s telecommunication sector, a step which was necessary in order to improve facilities and cut costs. In the 1990s, privatisation became the trend in African telecommunications. Yet, despite all this progress, Central, East and West Africa still had the lowest density of telecommunication services in the world.

From the mid-1990s onwards the Internet grew exceptionally fast in Africa. In 1995 only four African countries were connected, but by the turn of the century all but one or two were. Over the same period the number of providers increased from just over 300 to more than 10,000. After South Africa, the most flourishing Internet markets were in Ivory Coast, Senegal, Ghana, Kenya, Tanzania, Uganda and Zimbabwe. Yet the gap between South Africa and the rest was still quite large. In South Africa one person in sixty-five is an Internet user; the equivalent figure for the rest of Africa is one in five thousand. The world average is one in forty, and in the industrialised world the figure is as high as one in six. A few large transnational providers such as AfricaOnline and CompuServe link various African countries to the United States, Britain and France. Internet access is unevenly distributed in all African countries. Services are mainly concentrated in capital cities and fan out from there. The number of cafés, kiosks and professional buildings (schools, hospitals, police stations, etc.) that are online is rapidly increasing. However, it costs a lot to use the Internet in Africa – more than in the United States and Europe. The countries where it costs most are those with only one provider, which to make matters worse is often owned by the national telecommunication company. This is yet another reason that privatisation and liberalisation are essential; they allow more providers access to the market. Members of government have usually had personal commercial motives to postpone these reforms, as well as budgetary and political reasons. Heads of state and ministers have had interests in national telecommunication companies. They could not do without the tax revenue. Moreover, they wanted to control access to news. Yet in Africa as elsewhere, the trend towards freer markets could not be reversed. However reluctantly, country after country decided to liberalise its ICT market.

Moreover, the benefits in terms of national and individual development could not be ignored. The business sector badly needed modern communication technology. That technology brought African producers into direct contact with potential customers all over the world and greatly reduced the influence of powerful, costly middlemen. In principle, ICT products and services could be produced and sold anywhere in the world, but Africa’s role in this field remained negligible.

New technology did, however, find a place in education, with South Africa way out ahead once more. The University of South Africa offered complete online courses. There was even an
African Virtual University for high-level scientific studies and online reference facilities, to which more than ten African countries were connected. As elsewhere in the world, the potential for ICT in Africa is almost endless, with benefits for government, business, civil society and individuals.

Although when it comes to exploiting the potential of ICT the state can make a difference in all kinds of ways – from providing basic infrastructure and drawing up rules to allocating frequencies – the interesting thing about ICT in Africa was just how much was done through nongovernmental channels. We have already seen some examples in the former Somalia (see chapter 5, section d). Governments could quite easily make a positive contribution by privatising utilities and other companies and by deregulating markets. Major leaps forward could sometimes be achieved with the help of new technology. It seemed it might be possible for Africa to start closing the large gap that had separated it from the rest of the world.

At the same time, many African governments were drawing up long-term plans to develop the ICT infrastructure in the public sector and in the country as a whole. They received plenty of international support for this, for in the eyes of the international development community ICT had become a gauge of the extent to which Africa could keep up in this age of technological breakthrough. Would Africa have to drop out of the race to develop in the highly modern global society and resign itself permanently to a place on the sidelines, or would international support in the area of ICT enable it to remain involved?

Leaving aside the symbolic significance of ICT, it is a field of vital economic importance for Africa’s terms of trade and therefore for the continent’s economic future. The prices of ICT products and services may not continue to rise, but they will remain relatively high, since technology-intensive goods and services generate high added value. Countries which are unable to use, let alone produce, advanced technological equipment and know-how will find themselves at a serious disadvantage. This technological challenge is one of the greatest Africa has to face in the age of globalisation.

Yet it is not the only challenge. There are political ones, too. Civil-society groups are rapidly becoming more organised, and in the hands of the opposition the new technology is a potential threat to governments. In theory, a single mobile phone is all an activist needs to organise a demonstration quickly in some unexpected place. So far, however, the political impact of new technology in Africa has been minor.

h) Cultural and religious responses

The social changes wrought by globalisation were far-reaching and naturally had an impact on culture. ‘Cultural confusion’ was the term African delegates used to sum up this cultural impact at a meeting on the influence of globalisation in Africa, held in Tanzania in September 1998. All at once, the ideologies Africans had used to interpret the world around them were no longer tenable. Socialism had been buried, nationalism was dying a natural death and even development no longer seemed to be a realistic ideology for Africa. What was to replace them? Liberalism and capitalism could hardly be publicly embraced. In Africa they were tolerated at best, not actively supported. The prevailing mood was therefore one of confusion and uncertainty.

This confusion and uncertainty arose against a background of continuing cultural homogenisation at a global level. This homogenisation – which in practice meant Westernisation or even Americanisation – was stronger and had begun earlier outside Africa, spreading outwards from the United States. It was homogenisation of culture in the broadest sense of the term, including such diverse areas as communication, consciousness and consumption. Consumer culture exerted a particular pull on the imagination. In the 1970s, Cola-Cola was the emblem of this process. In the 1990s, when the trend had progressed a good deal further, it was the McDonald’s hamburger chain that came to symbolise it.

In Africa, however, ‘McDonaldisation’ did not yet amount to much. Africa’s ties with the West were still too tenuous. The all-pervading sociocultural changes seen above all in the West, but also to some extent in Asia and Latin America (such as internationalisation, the beginnings of a functional network society and, as we have seen, technologisation), had hardly made an impression in Africa. Society had become rather individualised by traditional African standards, but by global
standards Africa was still a continent with strong community ties. As the cultures of the world converged and a ‘global village’ took shape, Africa remained on the fringes.

Africa was not yet part of this global village (or rather, global city), yet contact with other continents was increasing, especially on an individual level. Growing international migration from Africa (see chapter 8, section e), which is part and parcel of globalisation, forged new international links. Those links were reinforced by religious developments. Together with the collapse of secular ideologies, Africans’ sense of social and often also personal insecurity led to a spectacular growth in religion. Of the major international religions, it was Islam and Christianity that benefited most. Both offered their members a place in a network extending to all parts of the world. Muslims and Christians were part of a greater whole and could use this frame of reference not only to reinterpret their world, but also to derive practical benefits from contacts with coreligionists. Through Islam one was part of a world that extended far beyond the Sahara into former Yugoslavia and Indonesia, and Africans’ conversion to Christianity (often by Pentecostalists) brought them into contact with Europe and America.

Although Islam and Christianity originated outside Africa, the form they took in Africa owed so much to local influences that their spread should be seen as an authentically African development rather than a religious invasion. One reason for their popularity was that in times of uncertainty people sought succour in religions with simple ethical principles. Islam was especially attractive from this point of view. In Africa religion and politics are difficult to keep apart, and so the spread of religion was reflected in politics. This was primarily true of Islam, in which there is no separation of mosque and state in any case, but African Christianity also had political significance. One African country, Zambia, even officially called itself a Christian nation.

The simultaneous rise in the popularity of Christianity and Islam in Africa around the turn of the millennium supports the hypothesis that religions may to a large extent shape the twenty-first century. At the same time, it illustrates a general ambivalence towards modernisation. On the one hand (particularly in the case of Christianity) new technologies often opened the way for new ideas, while on the other (particularly in the case of Islam) contact with the modern world not infrequently led to rejection and resistance. The recent acceleration of the modernisation process in the form of globalisation brought these contrasts even more sharply into focus, especially in places where the impact of globalisation was not altogether positive, as in Africa.

This ambivalent attitude towards modernisation goes back many centuries. It can be found not only in the response of non-Western cultures to Western expansion, but also within the West. The modernising current has almost always been dominant, and throughout history dominant cultures have always inspired ambivalence. On the one hand the dominant culture is adopted, at least in part, not only because it is good at improving living standards, but also because, for example, it is fashionable. This may adversely affect the image of one’s own, subordinate, culture, or indeed one’s entire self-image. On the other hand, however, there is resistance to the dominant culture because it is supposedly no good, alien, second-rate or vulgar. This is usually accompanied by romanticisation of one’s own culture. All these features can be found not only in the global South, but also in the European response to the dominant American culture. On the one hand Europe adopts a great deal from America, but on the other there is an undercurrent of anti-Americanism.

The impact of globalisation around the millennium has been different from that of modernisation in earlier centuries, if only because of technological progress. Before economic globalisation could make a serious impact on Africa, the continent was connected to the Internet and television had penetrated nearly everywhere. This had an effect of its own. The differences in wealth that exist between countries and within countries literally became visible to the majority of the world’s population. This too encouraged ambivalence between wanting to adopt a culture and rejecting it. Most of all, however, Africa’s self-image was adversely affected by comparison with other cultures. Whereas once owning enough cattle had been equated with wealth, on closer examination, those few paltry cows did not seem like much compared with what people elsewhere in the world owned and considered important. Although nothing had changed ‘on the ground’, the spread of technology had altered the self-image of both individuals and cultures. The result was often lower self-esteem, and people began to think of themselves as poor.
After independence, African ambivalence towards modernisation and the West had found a natural ally in socialism. Its collapse was greeted with disbelief and dismay. Socialism left behind an ideological vacuum. The simultaneous, sudden rise of no-holds-barred capitalism confirmed people’s worst fears. The absence of local African forms of protest against the West helps to explain the recent popularity of Islam in Africa, since this religion has always been a rallying point for people and groups who, for whatever reason, wanted to challenge Europe and above all America.

In Africa, as elsewhere, the attraction of Islam may well be mainly due to its element of politico-cultural protest. This threatened to further disrupt relations between America – which was more the object of criticism than Europe and at the same time more aware of these issues – and the Islamic world. It has already been speculated that the traditionally regional battle between Christianity and Islam could therefore emerge in a new, global form – as a struggle between modernisation and those opposed to it. The outlines of such a struggle, which could become violent, became apparent on a small scale in Africa. Of course, this struggle also had its roots in international power politics.

At the same time, there was a current of opinion that wanted to combine Western secular influences with local African strengths, in order to improve living standards throughout the continent. This was the essence of the African renaissance (see chapter 4). Local cultural differences were also magnified and enhanced. This can be seen as the African version of the particularism that all over the world formed the psychological counterweight to cultural homogenisation. As a result of homogenisation, people increasingly dressed the same way, ate the same products, watched the same television programmes and so on (not only within countries but throughout continents or even worldwide). But there were many who instead felt the need to emphasise their own specificity, the aspects that distinguished individuals or groups from one another. In many countries this led to a revival of local culture and subnational identity.

The increasing importance of ethnicity (‘ethnicisation’) in Africa in the 1990s has already been referred to a number of times, often in the context of violent conflict. Since there was very little cultural homogenisation in Africa, this can hardly be seen as the main cause of the countermovement. Unlike in many Western countries, reflection on one’s own identity was probably not the mainspring. In Africa, ethnicisation had much more to do with political factors. Incidentally, it is important to emphasise that the need for a group identity is a normal human characteristic. The choice of group or groups from which to derive that identity usually depends on a combination of family ties (in the broadest sense), racial characteristics, language, religion, a shared past and a common enemy.

Ethnic affinities change over time, and the relationship with the form of political organisation (the state) is important here. In the modern Western nation-state, the ethnic group came to coincide with the national population. In Africa, where the state was imposed from outside without regard for the feelings of group identity that existed among the population, such a bond between the state and the people living within its borders scarcely emerged. In some cases, notably Lesotho and Swaziland, the state coincided with an ethnic group, but the vast majority of African countries were home to numerous ethnic groups.

In the 1960s, independence brought about a wave of popular enthusiasm that marked the beginning of a new sense of national identity. Many African rulers reinforced this sense of nationalism (which was useful for assimilating subnational groups) by making concessions to local identity in their policies, for example when allocating jobs in the civil service or in connection with development projects. The decay of the state in the period that followed made it impossible to continue with such policies. The structural adjustment programmes of the 1980s reduced states’ income so drastically that the ruling elites could no longer keep all or even most of the ethnic groups in their countries satisfied. From the rulers’ point of view, state resources (which were now extremely limited) had to be used as strategically as possible. That meant focusing on the ethnic group that would guarantee them the most, or the most reliable, political support – in other words, their own ethnic group. It is not hard to guess how other ethnic groups responded to such changes of policy. Groups came into conflict and began to turn their backs on the state or at the very least demand their own tangible share of its benefits. National loyalties gave way to subnational ones.

The motive behind ethniciisation was often the sense of being at a disadvantage compared with other ethnic groups. The emphasis was thus on conflict with other groups rather than social
cohesion. Under certain circumstances a group’s frustration about its relatively unfavourable position would erupt into violence. Then ethnicisation turned into tribalisation, with ethnic groups fighting each other within states just as tribes had done in the past. In this way the decay of the state contributed to a link between globalisation and particularism or ethnicisation – a special link that only existed in Africa.

Despite Africa’s marginal position within the international economic system, globalisation thus had a crucial impact on the continent. All this took place against the backdrop of major changes in African society. For decades the population had been growing by several per cent a year. This was one factor that led to a dramatic change in the structure of the population. In the space of a few years a sizeable proportion of the population migrated from rural areas to the cities, which grew explosively. In turn, these changes had an impact on political, economic, social and cultural conditions. Demographic trends are therefore an essential aspect of any history of Africa. They will be discussed in the next chapter.

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29 ECA, Developing NCI Policies, Plans and Strategies, pp. 4-6.
30 Okigbo, Communication and Poverty: the Challenge of Social Change in Africa.
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