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Globalisation and Africa

OP-ED

A donkey and an elephant cannot be yoked together to pull a plough, for they are not of the same size or strength. Yet this is what globalisation has done to Africa. The weaker side is struggling to keep apace while the stronger one reaps the benefits

NORBERT MAO

According to an old saying, 'a rising tide will lift all boats'. If globalisation can be seen as that tide — assuring its beneficiaries rapid growth, better living standards, and new opportunities — then Africa's boat must be full of holes. Africa is not just lagging, but sinking. Rich countries are increasingly speaking of Africa as a 'dead weight', a 'free loader' in the international community. To many, Africa is fast becoming a lost cause where AIDS, war, and corruption dominate. It is time to contemplate the reasons why Africa is not getting as much as it should from globalisation.

In the 1960s, soon after gaining independence, Uganda had the same GDP per capita as South Korea. Today, Korea — with its $20,000 GDP per capita — is one of the 'Asian Tigers', while Uganda remain members of the 'African Hyenas Club,' a group characterised by poor infrastructure and high levels of poverty and illiteracy. Legend among Africans is that South Korea's leadership was so determined to get its country out of the league of the third world that they even persuaded women to cut their hair to make exportable wigs. Korea had other products to sell, but this perhaps apocryphal story illustrates the willingness to combat poverty by all means — something sorely missing in most of Africa's political leadership.

This story also suggests that if Africa is lagging, it is Africa's fault. However, the current model of globalisation is based on rules that assure defeat for Africa no matter how hard it tries. Africa and its leaders are far from blameless, but the horrific inequalities both between and within nations, the poverty that encumbers over a billion people, and the endless conflicts cannot only be the fault of incompetent leaders. There are also other dynamics at work that create a world where the top 20 per cent own 86 percent of the GDP, 68 per cent of the foreign direct investments, and 82 per cent of the export markets.

Nonetheless, ordinary people in Uganda's capital city of Kampala will tell you that they like globalisation. Indeed, they do. Multinational oil companies, banks and supermarkets are dotted all over Kampala's seven hills, and the communities there have been loyal customers. The majority of Ugandans, however, are rural, subsistence farmers. And, with the international prices of coffee, cotton and tobacco falling, they lack a profitable, or even viable, cash crop. The International Coffee Organisation tells these small farmers that global price instability is responsible for the low prices their coffee fetches. The answer, the politicians tell them, is to diversify their crops. But to what?

Aside from coffee, Uganda also grows many tropical fruits such as mangoes and bananas. During the mango season, farmers bring their choicest picks to the roadside, where one dozen mangoes sells for under a dollar. Strolling down footpaths lined with mango trees, one can smell the sweet rotting fruit that litters the ground. With so much production of high quality mangoes, the fruit sector is a prime candidate for diversification. But unless Uganda can attract investments in fruit processing plants and thus add value to its raw produce, it cannot reap fully the abundant bounty that globalisation promises.

Yet foreign investors have neglected this productive sector, preferring instead to invest in services like mobile phones, cheap electronics, and gigantic supermarkets. Consequently, Uganda still imports mango juice from the Middle East. Without foreign investment in high-potential sectors where Uganda already has some strength, diversification talk is simply hot air.

Things are not looking good on the financial front either. After many failed attempts to find a foreign buyer and despite protests from the parliament, Uganda's biggest commercial bank, which holds over 50 per cent of total bank deposits, was sold off to South Africa's Standard Bank Group (STANBIC). The new owners promised to set aside a percentage of the shares on Uganda's infant stock exchange and leave it open to the public for investment. Several months after the sale, the Ugandan public still has no access to these shares. Some Ugandans have found an indirect way of investing in Uganda Commercial Bank by buying shares in the Bank of Scotland, which is a shareholder in STANBIC. Unfortunately, this is not an option open to the majority of Ugandans.

Globalisation's proponents point to a few success stories to argue that lowering tariffs and eliminating import quotas will attract capital to new export industries, raise incomes, and bring new jobs. But this idealised view overlooks the adverse effects that can result from globalisation's free-rein market processes and by the movement of multinational corporations (MNCs). MNCs relocate to developing countries because they are guaranteed low production costs, large markets, and abundant natural resources. In Africa and elsewhere, MNCs also benefit from lax environmental regulations, weak trade unions, and the near absence of competing products.

Globalisation could benefit Africa, but in its current raw form, it will only paralyse the poverty-struck continent by turning it into a cluster of wagon economies whose engines are in the Western world. To use an analogy, a donkey and an elephant cannot be yoked together to pull a plough, for they are not of the same size or strength. Yet this is what globalisation has done to Africa. Due to differences in weight and size, the weaker side is struggling to keep apace while the stronger one reaps the benefits disproportionately.

So what should be done? Ideally, the developed countries would apply at the global level the same principles that boosted their own prosperity long ago. In their race to industrialise, developed countries enjoyed the benefits of patent-free international technology transfers. Would it be so unreasonable to remove the trade barriers that undermine Africa's access to this same technology? Africa's bad debts should also be handled the way debts are in the developed world and forgiven or re-structured. For in the long run both debtor and creditor nations will benefit from such action. As long as the debt burden hangs like an albatross around Africa's neck, all rhetoric for development rings hollow.

Furthermore, it is necessary to reduce or eliminate agricultural subsidies. By subsidising American and European farms, production increases and costs are reduced, making their products cheaper and more abundant than Africa's unsubsidised goods. The impact on African farmers is worrisome; the flood of US cotton on the world market recently washed away over one per cent of GDP in several poor African countries that are highly dependent on cotton exports. Reducing trade barriers, while holding on to subsidies, is simply giving with one hand and taking away with the other.

Political leaders will ultimately compose the frontline of Africa's war on poverty. Only they can combat health threats such as AIDS, make education a priority, and implement economic policies that will attract investment and jobs. However, without an international framework to complement these efforts, domestic policies will prove futile. If Africa is to help itself, developed countries must give it the tools to do so; they must open their markets to African goods, offer debt relief, and, above all, provide focused developmental assistance based on agreed social goals.

Norbert Mao is a member of the Ugandan Parliament and currently a Yale World Fellow. *This article appeared in YaleGlobal Online (www.yaleglobal.yale.edu), a publication of the Yale Center for the Study of Globalization, and is reprinted by permission.* *Copyright (c) 2003 Yale Center for the Study of Globalization*