

## **AFRICA: A STEPCHILD OF GLOBALIZATION<sup>1</sup>**

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The term "globalization" now resounds in the mouths of statesmen and scholars, in the mass media and programmes of social movements. However, the representatives of different scholarly disciplines and socio-political forces read different meanings into it.

To avoid polemics, extremities, the play of definitions and label-sticking, let us try to merely enumerate some of the features (not all!) of the phenomenon of globalization. It will permit us thereafter to define the place of Africa, the subject of our study, within this phenomenon.

Undoubtedly, we are witnessing a qualitatively new convulsion of internationalization and interdependence (though anything but a symmetrical one) of the world economy. A pronounced aspect of this globalization is the mobility of global capital. Huge amounts of money (according to some data, more than one trillion dollars) shift from one country to another and from one owner to another every day. Goods, people, information and ideas move from one country to another, from one continent to another with unprecedented rapidity and in unexpected ways. A united system of global communications is developing, using more and more perfect electronic devices, and information is thereby accumulated and spread in an explosive manner.

Science is becoming society's main productive force, the decisive factor in the increase in labour productivity. International space, which was once occupied almost exclusively by national states, is now filled with more and more new actors, especially transnational corporations (TNCs), which acquire qualitatively unfamiliar characteristics, international financial conglomerations, non-government agencies. The mass media, which has also become an aspect of transnational business, is beginning to play a new role in determining people's, states', and society's behaviour and views. The functions of states, though not of all of them, is thereby transformed, modified and weakened.

Rapidity and the large scale of changes in the economic, social, political, spiritual life of the world community is causing extreme discomfiture. The European industrial revolution took more than a hundred years. Now technical renovation occurs every two or three years in some industries. The future is becoming increasingly unpredictable and the present increasingly inexplicable and uncontrollable. Globalization is accompanied by an upsurge in neoliberal ideology with its standard set of postulates concerning the advantages of freedom, by which it implies, first of all, liberation of market relations from whatever fetters, including state regulation and even state boundaries, reduction of the

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state to a machinery that serves private business, with the usual seasoning of talks about democracy, civil society, human rights and other attributes ascribed to the society of the Western countries. Whereas neoliberalism is undergoing a crisis in some fields of social sciences in the West, it acquires the features of an almost authoritarian ideology, almost a religion, which leaves no room for objections and heterodoxy, when applied to non-Western countries and society. This feature manifests itself with an especial distinctiveness following the failure of the Communist experiments and collapse of the administrative command system in the economies of the USSR and Eastern Europe, and China's return to the market fold.

Framed and interpreted in the neoliberal manner, globalization looks a universal blessing, a miraculous "*open sesame!*", which is going to fling open the doors to caves full of uncountable wealth ensuring material welfare, a spiritual upsurge, health and access to education for the whole of humanity! and the protection of human rights and dignity.

Why is it then, that after neutralizing the soporific effects of the media, the people of Africa and Latin America, Russia and even Europe are being increasingly forced to ask themselves: is this globalization a good or an evil? Is globalization an unconditionally objective process, or does it not develop in forms defined and prescribed in order to favour some groups to the detriment of others? If it is an absolute good, why has the per capita gross domestic product (GDP) gone down in 80 countries in the last ten years, producing innumerable social consequences in the form of the spread of poverty and diseases, deterioration in the quality and duration of life, and an increase in illiteracy? Why are more than 50% of Africans living in conditions of absolute poverty, why has their average life expectancy returned to the level of the early 1960s?

Can one speak about democracy and equality in a world where the total wealth of the 200 richest people of the planet has more than doubled within the past five years, exceeding one trillion dollars, and the assets of the three richest men in the world amount to the aggregate annual income of 600 million people in the least developed countries, most especially in Africa?

Can one speak about democracy and justice when decisions concerning the world's destiny are made not according to the principle of "one man one vote", however imperfect this principle may be in the "brainwashing" opinion of the world's media, but according to that of "one dollar one vote"?

Maybe, that is why Pope John Paul II said in his 11th encyclical (March 1995) that the Western states "have betrayed their democratic principles and are moving towards totalitarianism, and democracy has become a mere myth and a cover for immorality."

Perhaps, the Pope was referring to the globalization of crime and the fact that the annual drug turnover had reached half a trillion dollars by 1995, and prostitution involved half a

million women in Western Europe alone, yielding an annual income of \$7 billion; or maybe the Pope implied nothing more than people's blatant inequality in the modern globalizing world, which deprived the very term democracy of any meaningful content.

"Globalization of the world economy, pushed ahead by the forces which demand that national boundaries be opened for trade and the movement of capital and information - proved useful to some people but marginalised many more, augmenting inequality both within nations and among them," reads the Report on Human Development, included in the UNO Development Programme (July 1997). The income ratio between the one fifth of the world population who live in the richest countries and the one fifth who live in the poorest ones was 74:1 in 1997, 60:1 in 1990, 30:1 in 1960 and 11:1 in 1913. In the late 1990s one fifth of the world accounted for 86% of the world GDP, 82% of the world export and 68% of direct foreign investments. At the same time, the poorest fifth accounted for just 1% of these statistics.

Uniting finances, production and international trade, the TNCs demonstrate the rapid growth of their might. According to my calculations, their sales almost quadrupled between 1980 and 1999, growing from \$2.4 trillion to almost \$10 trillion. Let me note that according to the obviously obsolete data of the mid-1990s, the branches of 37 000 parent corporations numbered 200 000. Now TNCs control about 40% of the means of production of the world, especially in the high-tech, capital-intensive and science-intensive industries. Their enterprises and servicing companies employ 5% of the world manpower. TNCs and their branches control 75% of the world trade of goods and services. However, one third of that trade is within corporations, which is a major obstacle to government and their regulation by international trade organisations.

To give some idea of the ratio between the might of the TNCs and that of individual African and other countries, it is enough to mention just a few figures. The annual income of General Motors exceeds the GDP of Indonesia, that of the Exxon is higher than the GDP of South Africa, that of Sony is equal to the GDP of Egypt and more than the GDP of Nigeria. The five largest corporations have an annual income higher than the total GDP of all the countries of the Middle East and Northern Africa.

Neoliberal propagandists claim that strong TNCs pay a major contribution to the development of those countries where they operate, ensuring employment, paying taxes that may be used to finance social programmes, spreading advanced technologies, attracting foreign currency and helping poor countries in the creation of an industrial basis of their own. These statements are partly correct in the case of certain countries but do not nearly correspond to global realities. We are going to consider later on how much these claims apply to the African continent.

Now some other features of TNCs must be noted. As a matter of fact, there are no laws in international practice to regulate their activity. Attempts by countries to control TNCs merely make them flee elsewhere - where there is less burdensome taxation and less rigid labour and environmental protection.

TNCs often pretend to adopt certain behavioural codes but this is rarely genuine. Whatever may be argued to the contrary, the main (though not the only) motivation of the TNCs' activity is profit. Their management is required to think in economic and technological terms, i.e., in a manner that minimises the cost and maximises the profit. Social protection becomes superfluous or unnecessary in this scheme; in any case, it is forced, and this very phenomenon is an immoral aspect of the TNCs' unlimited and uncontrolled lust, especially outside Western countries.

Attempts to elaborate some form of international legislative regulation of their activities made by UN agencies were abandoned under pressure from Western governments. The absolute majority of the parent TNCs originate from the USA and other Western countries, and only few of them have been founded in the new industrial countries. Developed states support the TNCs of their own, and their spread all over the world increases the suzerain states' weight and influence and the revenue accumulating to their exchequers.

Shifted freely in the new economic space, transnational capital is not subject to the jurisdiction of national states unless invested directly. This situation holds especially for financial capital, which has nearly lost touch with the 'real' economy. According to the Harvard Business Review, each dollar circulating in the real sector corresponds to \$50 in the financial sector, and the annual turnover of financial deals approaches half a quadrillion dollars.

To speak about African countries and other countries of the "South" or southern hemisphere, the inflow or outflow of financial capital may either destroy or revive their economies. The sphere of responsibility of African and other countries of the "South", of their governments, elected parliaments and other state agencies is thereby considerably reduced. As it is, they cannot be held accountable to their voters and citizens for the condition of their finances, currency exchange rates, revenue levels and, correspondingly, of expenses for social and other purposes.

A global neoliberal ideological offensive upon statehood as such, now exists, especially in relation to the countries of the "South" and former socialist countries. What is interesting, is that neoliberal ideologists do not discuss the enhancement of state efficiency but mostly its dismantling, questioning the necessity and legitimacy of states. Julius Nyerere, the former Tanzanian president, noted ironically: "Earlier it was the orthodox Marxists who spoke about the disappearance of the state, and now it is the topic of neoliberal ideologists."

African states now have to act as if they are on the razor's edge: on the one hand they have to ensure the interests of the TNCs, (without which they cannot exist), at the same time they have to fulfil the recommendations of the IMF, IBRD and World Bank and to curtail and weaken their state agencies; whilst on the other hand, they have to ensure peace and stability in a society that is progressively polarised and torn apart by these contradictions.

Globalization and the frontal offensive of the "free market" have together resulted in the destruction of the state and social institutions of the countries of the "South" whose earlier function was to ensure at least a degree of welfare, the protection of social, ethnic and religious groups, and human rights as a whole. For instance, the patronage-clientele system ensured at least a minimum social protection for a part of the have-nots in African countries. The responsibility is now shifted to other institutions, which are just emerging or are known to be unable to cope with this responsibility.

Experiencing the impact of globalization, local elites are either destroyed or integrated into the international system, but either way they lose their responsibility for the state of society. The international market destroys the state from the outside, and neoliberal reforms reduce the volume of its participation in national life.

Yet, turning to the recent history, we see the enormous role of the state in economic and social development. After World War II the states of Western Europe regained their strength and quickly managed to ensure socio-economic stability. The strategy of long-term national development prevailed over the momentary interests of even big capital, especially in the setting of the Cold War and competition with the Soviet Union. The state played an even more important role in the new industrial countries, enabling them to take a decisive leap in their development.

The might of the TNCs and the Western states that support them is incommensurable with that of the states of the "South", and therefore talks on the democratisation of international relations will remain empty promises until measures are taken to lessen the impact on the victims of globalisation. For the present, the *de facto* authority in the economic sphere is appropriated by the IMF, IBRD, WB, G-7 meetings, World Trade Organisation, Organisation for Economic Co-operation and Development and other formal and informal bodies, whose decisions affect the destinies of countries and continents. But these bodies are outside the influence of African and other states of the "South".

Politically, the weakening of UN influence and NATO's transition to actions that bypass international law also mean a degradation of the fragile elements of democracy in international relations. The practice shows that it is possible to smash Yugoslavia to smithereens by bombing, ignoring international law; it is not inconceivable, by the way, that one of the reasons was Yugoslavia's delay in opening its doors to TNCs. At the same time, it is possible to remain inactive while observing genocide in Rwanda, in spite of all

necessary resolutions and the sympathetic position of the UN, for there are no diamonds or oil there and the TNCs have no serious interests in that country.

Russian researcher Alexander Neklessa wrote: "A contour of the international oligarchical regime, which prefers to act mostly from the position of strength, using at the same time the means that are adequate to the epoch, is outlined in the world under the cover of democratic phraseology (a kind of the tribute the evil has to pay to the virtue). The world community is acquiring an obviously stratified nature, its strata being described as estates by some people."

The weak have never managed to protect their interests. The countries of the "South" still do not get their legitimate share of the biospheric rent or the rent from exploitation of their mineral wealth. Yes, a lot is said about the self-limitation of not only TNCs, but also of the exploitation of the most developed Western countries. Yet the problem is that it is the latter governments who depend on the electorate and on those who finance their election campaigns. Therefore, the logic of their behaviour is the protection of a well-off Western society, even at the price of neglecting their moral obligations to the "South".

This is why aid to developing countries has been targeted at 0.7% of the Western countries' GDP. This is a figure which has been proclaimed necessary to overcome the poverty and backwardness in most parts of the world. However, it has never been reached, with very rare exceptions. It might have been a real target to some degree when the two systems competed, and when the West needed to shield so-called Third World countries from Soviet influence. After the Cold War ended, there was no longer any necessity to do so. Now Western countries allocate just 0.22% of their GDP for the aid of countries lagging behind in their development, which is less than in the early 1990s, despite a reduction in military expenses and the release of huge resources. This is obviously insufficient to help Africa and other regions of the "South".

But if one admits that the world structure has acquired a hierarchical nature, it is the USA that is at the top. It is there that the headquarters of most of the strongest corporations, including TNCs, are based. The largest capital market also is there. The USA is the most advanced country in the fields of R & D, informatics, computerisation, internet development and application of recent scientific achievements, which form a new stage of the scientific and technological revolution. It is as if the USA has been globalized and liberalised from inside. One may speak about the curtailment of the state's role as much as one likes, but, in fact, a single decision of the US administration on an upward or downward change in the booking rate or allocation or denial of credit to a country immediately changes the direction of the world financial flows and affects the destinies of even large countries. (It should be noted in brackets that despite conditions of the allegedly weakening role of the US state and adherence to free trade principles, the US administration did not delay in applying discriminatory measures against foreign producers when Russian or Brazilian steel appeared in the American market).

Relying on their might, the US administration and corporations have advocated an Open Door policy since the early twentieth century (in the first decades using battleships and landing forces as arguments), and today US entrepreneurs, financiers, politicians and scholars are the most ardent protagonists of neoliberalism.

Let us remember another historical period, the early nineteenth century, when industrial Britain, surrounded mostly by agrarian countries, advocated a total application of the principles of free trade or *laissez faire*. The states of continental Europe offered resistance to this policy, extending protection to their industry and ensuring its rapid growth. In our days, too, the neoliberal ideology is opposed not only by the leaders of countries of the "South" or European "leftists" but by politicians and scholars who are quite loyal to the establishment. Europeans had to resort more and more often to methods of state regulation of foreign and domestic economic activities, to protectionism, to the support of their native entrepreneurs through budgets and tax privileges. One can certainly mention, the successes of European agriculture, owing its prosperity to state subsidies, which made it a strong and successful sector of the economy.

The reality of the globalization of the world economy is that this watershed period is a chance for the highly developed countries that have entered the postindustrial stage, first of all, the USA, as well as other Western countries, to take advantage of the accelerated economic development and transition to new technologies.

Yet at the same time globalization increasingly exhausts Africa and other weaker countries. The advanced branches of the Western economy, which consume capital and scientific achievements, enhance their labour productivity and the skills of their personnel, which widens the gap between them and Africa and other developing countries, whose advantage lay in their possession of raw materials and cheap manpower. The least developed countries or branches of the national economy have become unnecessary to the world market. I'd like to remind people that Africa's share in the world export market has dropped from 2.4% to 1.9% within less than ten years, despite the absolute growth of its volume. In this situation, the TNCs and developed countries do not need territorial acquisitions or direct political domination any longer. Being incommensurably stronger in the size of their capital, labour productivity, access to information and global connections, they can attain their goals using these new methods (of course, keeping a military force intact and in reserve in case of emergency).

What then is the reality of Africa's involvement in the globalized world? What are its forms and methods? What does the qualitatively new structure of the world economy and world connections mean to hundreds of millions of Africans?

First of all, one has to note that the economic and social strategy of African countries was and is formed under auspices and with the direct participation of the International Monetary Fund and World Bank. It is these bodies which prepared the reform

programmes with the ideal declared purpose of overcoming the backwardness of African countries. In the 1980s and 1990s the terms "structural adaptation" and "structural adaptation programmes", used in various word collocations, became an *idée fixe* of the newspeak experts who advised the Africans. "Structural adaptation" was the proclaimed condition of getting aid from the IMF, WB and other international organisations. It was supposed to become an instrument to implant neoliberal models of the economic and socio-political development into the African world, to acquaint it with the innumerable advantages of globalization and a market economy. As a matter of fact, the governments of the African countries had practically to give up their participation in the development of their own economies, granting freedom to the play of market forces and adhering to the global market without resorting to protectionist measures.

To attain this goal, they were told to comply with a code of quite simple rules:

- minimise the state's interference in the economy;
- considerably reduce the trade barriers and make the local producers compete with foreigners at par;
- curtail or cancel subsidies and price control;
- retrench budget expenditures;
- lift the limitations imposed on capital movement;
- privatise the state enterprises;
- lift the limitations imposed on foreign private investments, adopting the laws aimed at encouraging this.

The neoliberal ideologists who represented the IMF and WB constructed an image of an ideal country with minimum state interference in economic and social life, the state's role confined to ensuring the minimum of necessary services for the efficient functioning of the private sector and protection of the weakest members of the society, where the economy is self-regulated thanks to free competition among private enterprises.

There is no country like this in the world, neither in Europe nor in America. It exists only in the imagination of the IMF and WB experts. Economic development has proved most successful in the countries of East and South-East Asia, whose models of state machinery were the opposite in many respects to those recommended for Africa, namely powerful state structures that regularly intervened in economic activities and limited private sector activities in many respects.

Those whose policy was obviously "heretic" from the neoliberals' viewpoint were no less successful. In developing market relations, Mexico and Chile retained whole industries and, respectively, oil and copper production in state ownership. The course of the oil exporting Gulf countries and most of the oil producing African countries was the same. By the way, Russia's present economic problems are connected to an extent with full or partial transfer of the most profitable and system-forming branches of its economy to private owners.



Yet it was in Africa that international agencies obtained an unprecedented opportunity of shaping both macroeconomic and social policy. They began to impose their recommendations - on states that had allegedly failed to grasp their advantage - because of their thoughtlessness and underdevelopment and because they resisted, consciously or spontaneously, when they were required to give up the protection of their national interests or traditions.

It is a truism that the purpose of economic and social reforms should be the improvement of the standard and quality of people's life and the acceleration of economic development. The practice of the recent decade and a half has shown that rigid adherence to neoliberal ideas is counterproductive and dangerous, especially when the neoliberals' theory and practice ignore social factors, not to mention the historical, civilisational and cultural features, which have to be taken into account to solve even purely economic problems.

Since 1986, the IMF has urged countries with low income and limited financial resources to carry out neoliberal reforms. The names of its recommendations frequently changed but not their essence. In September 1997 an IMF report summed up the results of its economic policy. In this report the authors admitted that the results of the implementation of the "structural adaptation" programme had been less than satisfactory. The gap between the targets and results, e.g., in the accumulation level, GDP growth, reduction of inflation rate and current payment deficit was striking. The report stated that the performance of the countries not covered by the said programmes had been much better than those countries that had followed the neoliberals' advice. The annual per capita GDP growth was 0% in the second group against 1% in the first; the increase in national saving being 10% and 17% and the share of their export spent for debt servicing 26% and 16% respectively. Other figures too were unfavourable to the countries that had indulged in extreme neoliberal transformations. Of course, their economies were rationalised to an extent. But the reforms were also found to encourage the export of raw materials and semi-finished goods needed by Western countries, foreign debt servicing and the import of consumer goods for local elites.

An extremely surprising conclusion, however, was drawn from this evidence: the reason for the failures in "structural adaptation" was not the fallacy of the recommendations themselves, but rather their inconsistent and incomplete fulfilment. The IMF theoreticians still believed that "structural adaptation" was going to give the African countries their best chance of macroeconomic stability and a resumption of growth, and insisted that their governments follow these programmes and continue carrying them out irrespective of the achieved results. A fifteen year long period of continuous failures? What of this? The plans were excellent, but the performance of African nations in their realisation of the stated objectives was poor - according to this report.