

Influences in Africa - Part Five

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This is the fifth part of a series of articles which we have been running with the overall title of 'Influences in Africa'. In the previous parts we have seen 'global issues' which have an effect on Africa, but in this article we take a look at what is commonly known as 'globalisation' - the creation of a single economic global market - and how it has an influence on the continent of Africa.

WHAT IS 'GLOBALISATION'?

These days we hear the term 'globalisation' very often but it is difficult to find out precisely what it means. For the purpose of this article we take the term 'globalisation' to be the two interconnecting economic levels: the 'real globalisation' or 'real economy', and the 'virtual' or 'financial globalisation' and the various strands which they entail.

In broad terms the 'real economy' consists of the production and trade in goods and services, and the 'virtual' or 'financial globalisation' involves trade and speculation on the world's financial markets. Both these parts of 'globalisation' are linked and are carried out internationally. This is made possible because of the continual rapid development of transport and communication means, especially in the areas of electronic information and communications technology.

'Globalisation' may sound very complicated but it is nothing new. In Western Europe it's roots can be traced back to the fifteenth and sixteenth centuries when traders began to leave the 'known world' in search of new lands and commercial possibilities. Many other peoples had been using trade routes overland - such as in North Africa and Asia - but with the adventurous seafarers the horizons of the 'Old World' began to become truly 'global'. The seeds of today's commercial and financial 'globalisation' were sewn in these times but the fruit has developed over the centuries.

The Second World War, needless to say, was a watershed for the economic and political development of the world. The decades which followed the war saw the whole globe adjusting

The GATT 'rounds' details were as follows:

Year	Location	Subjects covered	Participants
1947	Geneva	Tariffs	23
1949	Annecey	Tariffs	13
1951	Torquay	Tariffs	38
1956	Geneva	Tariffs	26
1960-1961 (Dillon Round)	Geneva	Tariffs	26
1964-1967 (Kennedy Round)	Geneva	Tariffs and Anti-Dumping Measures	62
1973-1979 (Tokyo Round)	Geneva	Tariffs, non-tariff measures and "framework" agreements	102
1986-1993 (Uruguay Round)	Geneva	Tariffs, non-tariff measures, rules, services, intellectual property rights, dispute settlement, textiles and clothing, agriculture, establishment of the WTO etc.	123

Source: The World Trade Guide

to major changes, such as the gradual decline of the various 'Empires', the Cold War, the dominance of the 'Super-Powers' and their eventual decline. A common thread which also evolved within this was the further blossoming of trade and commerce built upon, especially, the World Bank, the International Monetary Fund

(IMF), the General Agreement on Tariffs and Trade (GATT) and American economic dominance.

As we have seen in past articles of this series ('Influences in Africa - Part One' [issue no. 327, April-May, 1996] and 'Part Two' [issue no. 329, Aug.-Sept., 1996]) in the Post-War optimism many world-spanning organisations, such as those of the United Nations, were instituted as a means of bringing unity and for maintaining peace. At the same time the United States offered help to rebuild and unite Europe and this was implemented in the 'Marshall Plan', the fiftieth anniversary of which we celebrated last summer.

WORLD TRADE, GATT AND THE WTO

For almost the last fifty years the skeleton of world trade was the GATT discussions and agreements. After the war, and with nearly two years of negotiations, the early GATT countries drew up a draft charter which was intended to be the basis for a new International Trade Organisation (ITO). The ITO was to be part of the United Nations but it did not come into being. The fruit of the work was not abandoned and it came into force as the 'provisional'

General Agreement on Tariffs and Trade (GATT) in January, 1948. There were several ensuing 'trade rounds' and through these lengthy negotiations the 'World Trade Organisation' (WTO) was born in 1995.

The main purpose of GATT was to overhaul the whole of the world's trade situation and make it a lot freer by reducing trade barriers. This was done through a series of 'trade rounds' (see the box on the opposite page) which, in theory, were intended to help nations arrive at a common agreement over issues and rules for trade in merchandise goods; to agree mutually advantageous concessions; to give less powerful nations a greater voice; to do all this in a global context where such packages are not so politically-sensitive.

Now GATT has been superceeded by the WTO which is a permanent global institution dealing with the trade of goods, services and intellectual property. Many of the GATT agreements are being reviewed and the scope of the WTO reflects the developments which have taken place in all aspects of world trade.

The WTO was set up by its member nations and has been very effective since its institution.

Durban harbour: just one port in the international sea trade



It is swift in action and has already decided a hundred cases in its three years of existence. The built in flaw with WTO is that it has the power even to over-rule a nation's, or region's, laws in matters of trade. It was given this mandate by its members and carries out its brief without taking into account the social and economic effects of the trade rulings - these have to be faced by the nation on its own. In Europe we have seen the fruits of such action when it over-ruled the ban on imported American beef which had hormones and last year's ruling against the EU importing Caribbean bananas. America has made it clear that it believes Europe takes unfair advantage of its connections and loyalty to former colonies in matters of trade and has argued this case in the WTO. The outcome of such rulings against agreements, as those concerning bananas, is that it shows how both developed and developing countries can lose out to the interests of a third party.

The 1970s saw the competition from Asia and Latin America grow and challenge the established markets of the Western Hemisphere. In 1971 the 'Bretton Woods' system of linking the Dollar and gold as a method of controlling currency exchange rates was abolished and flexible rates were introduced. This was the first step towards the present situation we have in the form of 'financial globalisation' and the Dollar becoming such a strong international currency. Then the daily currency exchange deals amounted to about US\$1,000 million, now they are worth over US\$1,000,000 million.

Gradually, throughout the 1980s, capital became more mobile and the 'West's' industrial structures declined with many aspects of production being moved to Asia or South America. In the early 1990s this situation developed further. Companies became more international in nature as global competition expanded to include financial services, transport and other sectors. A new approach to business began

to emerge and companies invested and developed abroad creating a huge financial flow. The amounts of money involved in such transactions, held in private investment funds, are often larger than a country's central bank reserves. As a result they can have an influence on the balance of payments and the exchange rates of various nations. A great spur to all this was the advance in the speed at which information could be passed around the world.

A WORLD WITHOUT BORDERS

It would appear that the process of 'globalisation' cannot be stopped. It is almost as if it had a will of its own and that it is out of the control of any financial institution of national government. Even when regularity bodies are established by common consent, such as the WTO, they can inadvertently be a factor in a nation losing control of its future. As this snowball rolls along it gathers up all those who are in its path, growing ever larger. The 'state' is powerless before it but there can be some hope for a nation's economic security when it joins with others. It is ironic that this opening of the world economy has been a major reason for the creation of the regional 'trade blocs'.

It is no longer possible for a country to take decisions in isolation. The formation of trade links and the continued cooperation between neighbouring countries is vital. When decisions are taken with shared knowledge then more benefits may be gained for the countries involved and a government can have more control over a country's future. It is not possible to 'opt out' of 'globalisation', as that would mean being left behind. At least with joint planning some of the benefits may be gained and a trade-off be made for the social good by allowing the private sector to be involved in areas where it has the competence. The ultimate problem here is to get the balance between the private and public sector - we have experience of this

Country	Poverty ¹ 1981-95	Inflation ² 1985-95	GDP ³ 1995	Trade ⁴ /GDP	Exports ⁵ 1990-95	Imports ⁶ 1990-95	Aid ⁷ /GNP
Algeria	1.6	22.9	41,435	57	-0.8	-5.7	1.0
Angola	-	169.5	3,722	132	4.2	-4.1	11.0
Benin	-	-	1,522	64	-0.3	29.4	17.4
Botswana	34.7	11.5	4,318	101	-0.8	-5.6	2.2
Burundi	-	6.1	1,062	43	-4.8	-14.6	31.6
Burkina Faso	-	2.6	2,325	45	1.3	8.3	23.7
Cameroon	-	2.0	7,931	46	-1.7	-11.2	10.0
C. African Rep.	-	3.8	1,128	46	3.5	-3.3	19.4
Chad	-	3.1	1,138	46	-10.0	-12.1	23.9
Congo	-	2.2	2,163	128	9.7	2.5	24.9
Egypt	7.6	15.7	47,349	54	-0.1	-2.9	6.4
Eritrea/Ethiopia	33.8	-	5,287	39	-9.4	-3.3	22.7
Gabon	-	5.0	4,691	101	5.7	2.0	5.6
Gambia	-	9.0	384	103	26.9	9.0	19.8
Ghana	-	28.6	6,315	59	9.1	12.8	8.5
Guinea	26.3	-	3,686	46	-8.6	-2.8	11.0
Guinea-Bissau	87.0	62.5	257	48	-18.3	-5.4	74.3
Ivory Coast	17.7	4.0	10,069	76	-7.5	5.4	24.8
Kenya	50.2	13.0	9,095	72	16.6	-5.6	9.7
Lesotho	50.4	13.4	1,029	138	-	-	8.9
Madagascar	72.3	18.4	3,198	54	-6.8	-5.6	10.2
Malawi	-	22.1	1,465	69	-1.8	-1.6	38.0
Mali	-	4.6	2,431	38	-3.7	-3.4	24.5
Mauritania	31.4	6.9	1,068	104	3.5	4.4	27.7
Mauritius	-	8.8	3,919	120	2.0	2.5	0.4
Morocco	1.1	4.8	32,412	62	0.8	1.7	2.2
Mozambique	-	52.2	1,469	102	-0.3	2.9	101.0
Namibia	-	10.4	3,033	110	-	-	4.7
Niger	61.5	1.3	1,860	30	-2.0	2.5	25.0
Nigeria	28.9	33.0	26,817	81	-1.9	7.6	0.6
Rwanda	45.7	10.8	1,128	32	-19.6	-1.9	95.9
Senegal	54.0	3.7	4,867	69	3.6	6.1	17.2
Sierra Leone	-	61.6	824	40	-4.3	-1.1	36.0
South Africa	23.7	13.9	136,035	44	2.8	5.3	0.2
Tanzania	16.4	32.3	3,602	96	10.0	12.7	29.9
Togo	-	-	981	65	9.0	-11.2	13.8
Tunisia	3.9	6.0	18,035	93	7.7	6.4	0.7
Uganda	50.0	65.7	5,655	33	3.9	28.7	19.2
Zambia	84.6	91.5	4,073	71	26.9	-6.2	20.7
Zimbabwe	41.0	20.9	6,522	74	-6.6	-5.1	10.2

Source: 'The World Development Report 1997, The State in a Changing World'.

Published by The World Bank, June 1997. The figures in italics are for years other than those specified.

- The percentage of the population living on less than US\$1 a day, calculated by using 'purchasing power parities' (PPP).
- The average annual inflation rate as a percentage (GDP deflator)
- Gross Domestic Product (GDP) in millions of US\$ for 1995.
- Trade as a percentage of GDP for 1995.
- The average annual growth rate (percentage) of export volume for 1990-95.
- The average annual growth rate (percentage) of import volume for 1990-95.
- Aid received as a percentage of Gross National Product (GNP) for 1994.



in Britain as regards the health service, pensions, the utilities (water, electricity, gas) and public transport.

When we stop to think about it we can see how 'globalisation' slowly effects even developed countries and their government policies. Over the past few years the European Union has been embroiled in discussions over the 'European Monetary Union' (EMU), a 'common currency' and all the 'convergence criteria' required to join. This has meant the gradual imposition of a developed country's 'structural adjustment programme' (SAP) in order to comply with the terms. These, or some similar constraints, are almost automatically put on, whether a government wishes it or not, by the 'global' necessity for us to become a 'regional' concern and to remain competitive.

Unfortunately such restraints inflict deprivations on a developed country's population, similar to those which SAPs inflict on those of a developing country. The economic and the social problems which stem from them, are hard enough for developed countries to cope with, but what of developing countries? These countries have to try and become involved in the 'global market' but it is almost impossible when they do not have anything to sell and are strapped by debt! The area where this problem is most acute and which has the hardest time integrating into the 'global economy' is Sub-Saharan Africa.

When the main economic concern for most Sub-Saharan African countries has been to reduce their external debt, by following SAPs imposed by the World Bank and the IMF, there is little space left to financially manoeuvre into the 'global market'. It is not possible to concentrate on such a broad scale when there is no food security for the country's population. A balance has to be found between the short-term (debt servicing and food production)

and long-term (how to be part of 'globalisation') priorities.

There has also been a growth in 'regionalisation' through many trade agreements, such as our own 'Single European Act' and the 'Maastricht Treaty' in the EU. Some would argue that these have been partially brought about because the market has opened up so much and they are a way to gain a foothold in it as a large 'trading bloc'. The gradual development of the 'single/internal market' within Europe has been part of the preparation to face and join in 'globalisation'. As a result the EU has become a 'regional trade bloc/zone' in its own right, and that the common/single currency is part of the final phase. This has been clear in the discussions over what type of EU we will have eventually - will it be a 'federation' or a loose association of nation states. It was also apparent in the stance which the EU took when the 'North American Free Trade Agreement' (NAFTA) organisation was being formed and how the West's 'expansion' into Eastern Europe is being undertaken. We are part of the development of 'regionalism' but it looks as if it is growing towards an 'open regionalism' which still keeps the old European ties to other parts of the world.

The various economic zones/trading blocs around the world, such as the EU, NAFTA, the South American Common Market (MERCOSUR), the Association of South-East Asian Nations (ASEAN) and the Asia-Pacific Economic Cooperation (APEC) serve many purposes - see the foot notes on page fifteen. They have helped to promote trade between the member states and have given a stronger base to face economic threats from other rival 'trading blocs', while at the same time increasing trade between the 'zones'. The latter has certainly been the case with Asia and Europe.

'REAL' AND 'VIRTUAL GLOBALISATION'

Probably the part of 'globalisation' which we hear most about is that of the financial markets. In essence the idea behind this 'financial globalisation' is to make a single global monetary market without any borders. It is already well developed with the initiative in private hands away from governmental control.

The whole process began with the 'deregulation' of the market in the United States at the end of the 1970s, then Japan in 1983-84 and Europe in 1990. The essence of 'deregulation' is that the rules and regulations concerning banking and currency exchange are relaxed to allow capital to flow more freely in the market. When implemented it gave the possibility for the OPEC (Organisation of Petroleum Exporting Countries) Countries to enter on the scene and lend their 'petrodollars' to developing countries. Many of the latter borrowed heavily and when the interest rates rose in the early 1980s it led to the 'Debt Crisis', from which they are still recovering.

The 'global financial market', with the removal of barriers, means that it is possible to trade without going through the traditional financial institutions, such as the banks. Thus the 'middle-man' is cut out and there is direct access to the financial markets and stock exchanges. This in turn means less costs, more profits, faster transactions and an enlarging of the global market, drawing in more national markets.

The greatest danger about this 'financial market' is that, in truth, it is only a 'virtual economy' and does not exist as such. For example in the financial year 1994-1995, only 5% to 8% of the daily transactions (US\$1,400 bn. worth) on the world's exchanges were 'real'. This

'financial bubble' is remote from the 'real economy' and it is not linked to anything physical such as production, nor controlled by the monetary authorities. Within this creation is a risk which, in theory, could lead to a financial crisis in the search for short-term profit. This can threaten the stability of the 'real economy' especially when many of a country's population, such as in America, have investments in the market. We have seen this in October, 1987, and on 'Black Wednesday' 16th. September, 1992. If everyone withdrew their investments from the 'virtual economy' at the same time there would not be enough 'real' money to cover the amount needed and the whole system could be paralysed. It is very unlikely that this would ever happen but there were nervous suggestions of such a possibility in the domino collapses and rebuilding of the world's markets in late October and November last year. ¹

The 'real economy' has to keep in step with the 'virtual', and visa-versa. It is almost a lottery in which the main players are banks,

Opposite page: 1 Last year the IMF organised emergency loans for Thailand, the Philippines and Indonesia in an attempt to stabilise the Asian economies.

Picking cotton in Burkina Faso - one of the main exports for many African countries



companies and institutional investors - the latter are mainly pension funds (in America, Japan and the UK) and in 1991 the top one hundred of them managed around US\$8,000bn., about a third of the world's income, while the total monetary reserves held in the world's central banks was US\$553.6bn.!

It is the financial markets which often decide a country's worth economically. Transfers and movements of capital from the rich countries finance only 5% of investment in developing countries. They, and the investors, can decide the fate of smaller countries and also decide where the capital will be invested. In 1994 Mexico was saved from bankruptcy, as US\$15bn. flowed from the country in a week, when the International Institutions bailed it out because of its oil reserves. National economies are at the mercy of these outside forces and it is worth remembering that not even the combined efforts of the EU countries could stop the collapse of the European Exchange Rate Mechanism.

MULTINATIONALS

This brings us to the role which Multinational or Transnational companies play in 'globalisation'. They are usually based in the richer countries and expand into poorer ones. Large businesses do not move into developing countries for philanthropic reasons, but rather to gain something for themselves. The more aggressive companies are attracted by the availability of cheap labour (both skilled and unskilled) and raw materials; high interest rates to give good return; favourable (lax) labour, social and environmental legislation; and low production costs which keep goods at a competitive price. Often they also wish to gain a foothold in another market/trade bloc which leads to 'inward investment' such as we have seen with American, Korean and Japanese companies in the UK. ²

Despite all of this it does not mean that governments cannot work with them and so benefit their country and people. These companies bring investment, train the local population and can often be a country's way into the global market. Some developing countries have even gone as far as creating special 'Export Processing Zones' (EPZs) or 'Free Trade Zones' (FTZs) to attract export-orientated industries to work in a specific geographical area cut off from the host country. The various attractions mentioned above, together with 'duty free' allowances for imported raw material and the exported finished products, make it not surprising that there were 208 of these in 63 developing countries, in 1996, and they employed 4.3 million people.

With the 'open market' policy pushed by the major financial institutes it is often difficult to recognise what may be called a 'multinational' company these days. Often these huge companies buy into the local market of a country by acquiring smaller companies and retaining their names. As a result it is not so obvious who actually owns a company or their country of origin. The matter is further complicated because there are often arrangements between companies, even among rivals, which work in the same geographical areas when there is a mutual benefit to be had.

Other companies spread out around the globe and retain their own names under local subsidiary companies. In general the majority of their productivity and work force remains home-based from where they export. It is debated whether multinationals gain from 'globalisation' but on the whole they do and this is reflected by the fact that 40% of the world's exports are controlled by just one hundred companies.

THE CHALLENGE FACING AFRICA

Various economic and financial experts argue that 'globalisation' has brought development and prosperity to many countries around the world. This would certainly be true for some South East Asian countries where the income per capita has grown greatly in recent years.

As has been seen above most of the trade and finance is between the already developed/industrialised countries, but developing countries which have open markets have gained 'foreign direct investment' (FDI) and so their economies have grown accordingly. FDI has quadrupled to US\$90bn. between 1990 and 1995 but, once again, this was mainly to Asia which receives 65% of the present day total with 27% going to Latin America. FDI bypasses the poorest nations and 90% of it is moved between the rich industrial countries, or to and from the 'Asian Tigers'. The main losers are African countries which received US\$4.5bn. FDI in 1996 and only 5% of the world's FDI in the 1990s.

In this line we can see one major reason why the, so called, four 'Asian Tigers' or 'Asian Dragons' - Hong Kong, South Korea, Singapore and Taiwan - have developed so much. ³ This is especially as a result of huge financial support from America and private investment has begun to take over the development role from the national governments. In 1990 private investment in the 'emerging' markets was US\$50bn. and in 1996 it had risen to US\$244bn. Again the Asian market has developed three times faster than Latin America and six times faster than Africa in

the last twenty five years. Despite such great wealth, at the time of writing, there are signs that the Asian 'boom' is ending as is inevitable in all economies. What is yet to be seen is whether major Western investors will remain faithful to the Eastern markets.

For many years we all have had one aspect of 'globalisation' in our shops, though we have probably not thought of it in this way, that is consumer goods and foodstuffs from abroad. All products, from New Zealand lamb to Kenyan vegetables, are part of the 'real global market'. This means that we can have our supermarket shelves stocked with all sorts of fresh produce the whole year round and that countries the other side of the world are able to supply them.

This appears to be a good arrangement for all concerned - but is it? On the level of employment, new jobs in developing countries can often lead to unemployment for people in developed countries. The complaint of low

Above 2 Yamaichi Securities collapsed in November, 1997, with debts of about US\$24bn. - this followed the bankruptcies of Sanyo Securities and of Hokkaido Takushoku. How problems within the Japanese system will effect inward investment in the UK remains to be seen

Photograph: Multinational companies work in a local markets such as in this factory in Liberia Above 3 After the problems with the South Korean economy, the country applied to the IMF for a US\$20bn. aid package towards the end of last year.



wages, according to Northern standards, for those in developing countries is often raised - though in the latter case it does mean that there are jobs available for people at the local pay scale. Recent reports have highlighted the exploitation of this 'globalisation' trend by major sports companies. A pair of trainers may have components made in three different Asian countries and then be put together in a fourth. The local wages are low and the trainers are sold in the West at several times their production cost with the excessive profit going to the company.

Africa seems to have missed out on many of the rapid developments associated with 'globalisation', and once again faces being marginalised. Multinationals control 70% of the world's manufacturing, with less than 2% of it based in Africa. The continent's share of world production fell to 0.5% by the mid-1990s and its average industrial growth rate went from 11%, in the early 1970s, to 0.2% in 1991. There have been Africa-European trade links since the Middle Ages, mainly based on commodities, prices of which fell on average by 35% between 1980 and 1990, but there has been little encouragement of industrialisation. Africa's world trade declined by 30% between 1982 and 1990 and it generates just 2% of world GDP (US\$250bn. in total, US\$90bn. of which are from South Africa).

Probably the main reasons for this marginalisation are that the continent, on the whole, produces consumables and has never really looked a good investment to those who have the capital. Even in countries where the economies have been 'liberalised' it often has been either foreign companies or a local elite that have benefited and prosperity has failed to 'trickle down' to the majority of the population. These companies are often able to form monopolies and control the market within the country, or even a given region. This could

also be said for government organisations (parastatals) before the big push on 'privatisation'.

Again, in developing countries, a balance has to be struck between gaining access to the 'global market', which is vital, and not being rushed away with its tide, so that the benefits are not seen by all. Africa's ordinary subsistence farmers especially need to be protected from exploitation by the 'real global market' because for them it may be a matter of life and death. So far the majority of trade agreements and treaties do not give protection down to this level, and they probably never will.

It is difficult to see how Africa can catch up with the Asian developing countries and how it can gain its share of 'globalisation'. There are some countries on the continent which are improving more than others, but in general they are still recovering from the fall in commodity prices and the straight-jacket of SAPs. The latter did help some countries, but in the majority of cases the social cost and the suffering inflicted on the poor was enormous, for a short-term benefit.

It is ironic that the USA has thrived upon its debt while other poorer countries are held to ransom. Africa's debt rose from £3bn. in 1962 to US\$146bn. in 1990, with repayments using up 20% of foreign exchange earnings. Africa now spends US\$16bn. each year on debt repayments, which is equal to about half the continent's total export earnings. The debt to export earnings ratio for Sub-Saharan Africa rose from 252%, in 1993, to 266% in 1995 and the debt to GNP ratio went from 73% to 79%.

For the continent to economically improve it needs to move away from being dependent on aid for development. This is easy to say, but very difficult to do when there is little income. Aid to Sub-Saharan Africa is gradually falling and yet 11% of these countries' development

is dependent upon it. Donors often view such contributions as paving the way for private investment. Despite this gloomy view there does seem to have been some economic progress with a 1.7% per annum increase in GDP over the last ten years and a 5% of growth in 1996.

Even if a base was made for investment in Africa it is questioned where the capital would come from. Africa receives just 3% of the world's total investment and its share of overall capital flows to developing countries fell from 33% in the 1970s to only 6% in the period 1985-95. Much of the private gains made in Africa are taken out of the continent and some African countries have large amounts of capital invested abroad. Africa's biggest resource is its population and perhaps, as the Asian market is exhausted, it may become more attractive to those who wish to invest especially in the manufacturing sector. Africa now has fifteen growing stock markets and investments in them have doubled so far in the 1990s. Perhaps this too is an area to be developed

so that the continent can move away from relying on aid and begin to invest more in itself. Most African countries suffer from 'capital flight', when millions of Dollars are siphoned off into foreign bank accounts. If this money alone was to be brought back and invested in the local markets then a different picture could emerge.

We tend to think of Africa as a single large country, but this is far from the truth. Sub-Saharan Africa alone is made up of fifty-two countries with a total of 520 million inhabitants. If Africa is to have any part of the 'global market' - other than supplying our supermarkets! - it needs to build up regional cooperation and integration. Now that the 'Cold War' is over it should be possible for the continent to unite

and develop the existing economic organisations - see 'Influences in Africa - Part One', issue no. 327, April-May, 1996, for some of these.

Countries in Africa, as well as keeping their traditional export-import markets, have to trade more with their neighbours and make these contacts into powerful 'trade blocs' which can compete with those of the East and North where this lesson has already been learnt. Once these 'common markets' form bases then they can be built upon and begin to attract foreign investment. The confidence of foreign investors needs to be bolstered by such developments and also by continued growth in 'good governance'; reduction in conflicts; a lack of corruption; a transparent legal system and ethical economics;

Working in a Nigerian village, as in the Niger desert (pages 16 and 17, is as remote from 'globalisation' as it is possible to get - but everyone's life is touched by it



improved infrastructure and communications. Even when these conditions have been met major multinationals still have the ability and finance to move elsewhere if the situation does not stay in their advantage - this has been seen of late in Asia.

OVERALL CONCLUSION - PROS AND CONS

There are always going to be winners and losers in the economic world and this is especially true under the influence of 'globalisation'. In theory, and in a truly just world, everyone should gain from such developments but this is not the case and the people who lose out most are those in developing countries. It is argued that for the goal of 'globalisation', a totally free single world market, to be met all nations should be able to take part as equals; poverty should be alleviated in order that all people, who are consumers, should have the necessary buying-power to have what is available. The theory also is that if a developing country has an open market then it should gain from external investment. What often happens in such a situation, as we have seen, is that a cheaper labour force is found to make a greater profit and cheaper products which are taken out of the country. Some mutual and pension funds invest in local companies, and stock markets, in developing countries but they too are usually after a quick profit to be taken back to their home countries.

'Globalisation' can bring various types of technology to developing countries. This too may have its problems as the hardware supplied is sometimes obsolete and it is just a way of off-loading products which cannot be sold elsewhere. In this area information technology can lead to the exclusion of developing countries as it is too expensive to keep up with fast developments in such a quick changing world.

Many of the financial institutions claim that 'globalisation' is not the reason for unemploy-

ment and lower standards of living in industrialised countries - though some statistics say otherwise. The IMF quote the NAFTA experience where jobs have certainly been lost when USA manufacturing companies moved production to Mexico, following cheaper labour. Many lower paid employees were made redundant but it is said that as a result better jobs will be created in the USA. Again most of this is only going to be evened out in the long term. There has always been a disparity in the distribution of the world's income and probably always will be. At the moment 17% of the world's population account for 80% of the total production and 83% of the world's trade.

In many respects the greatest danger with 'globalisation' is the development of financial speculation, both in the North and the South, when money is made from movement of capital and risk rather than from the production of goods and trade. Such speculation is usually based on rumours about a country and can end up in the reduction of a government's power to control its finances, interest rates, inflation, exchange rates etc. Developing countries, with vulnerable economies, are very open to this and may fall victim.

Whatever happens in the future we need to become aware of the fact that we cannot view 'globalisation' from only a 'Northern' perspective, from that of the rich countries. It is a phenomenon which effects us all, both rich and poor, and whatever happens to one can also happen to the other. Some voices from the South see this trend just as a continuation of colonialism - the economic exploitation of the poor in developing countries by the rich - but, unfortunately it is more complicated than that. Once again the problems of the nineteenth century have returned to haunt us at the end of the twentieth.

Opposite: the sources of the information are 'The World Guide 1997/98' and 'The CIA World FactBook 1996'.

FOOTNOTES

Some of the economic groups and the countries involved in them are as follows:

The **Asia Pacific Economic Cooperation (APEC)** was established on the 7th. November, 1989, to promote trade and investment in the Pacific basin. It has 18 members: Australia, Brunei, Canada, Chile, China, Hong Kong, Indonesia, Japan, Malaysia, Mexico, New Zealand, Papua New Guinea, the Philippines, Singapore, South Korea, Taiwan, Thailand and the United States.

The **Association of Southeast Asian Nations (ASEAN)** was established on the 9th. August, 1967, to encourage regional economic, social, and cultural cooperation among the non-Communist countries of Southeast Asia. The members are Brunei, Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam.

The **European Union (EU)** was established as the European Community on the 8th. April, 1965, and it became the EU on the 7th. February, 1992. Its aim is to coordinate policies between its members in economics, defence, justice and home affairs. There are fifteen members: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, UK.

The **General Agreement on Tariffs and Trade (GATT)** was established on the 30th. October, 1947, to promote international trade. It was replaced by the World Trade Organisation on the 1st. January, 1995, when it had 123 members.

The **Mercado Comun del Cono Sur (Mercosur)** (Southern Cone Common Market) was established on the 26th. March, 1991, with the aim of increasing regional economic cooperation. The members are Argentina, Brazil, Paraguay, Uruguay and Chile is an associate member.

The **North American Free Trade Agreement (NAFTA)** is an agreement between the USA, Canada and Mexico. It was signed on the 1st. January, 1994, and eliminates customs and tariff restrictions between the countries over a 15 year period. It has created one market of 370 million people with a combined GNP of \$6 trillion a year. Since implementation Chile, Argentina and Colombia have offered to sign bilateral agreements with the NAFTA countries. As a result of the agreement the North American Development Bank was founded; the USA gained access to Mexican oil and minerals; American and Canadian industries have moved to Mexico for cheap labour.

The **World Trade Organisation (WTO)** succeeded the General Agreement on Tariff and Trade organisation (GATT) and was established on 15th. April, 1994, becoming effective on the 1st. January, 1995. Its aim is to resolve trade conflicts between members and to gradually eliminate tariffs and trade barriers. At present there are 130 member states, the majority from the former GATT, and a further 30 candidates.

Part of the Johannesburg skyline

