Globalization and State in Africa: A paradox

Fred Jonyo

Abstract

Globalization as a meltdown of freer flows of trade; direct foreign investment and finance, the liberalization of trade and investment policies have had both positive and negative effects on national economies. Positively, globalization has created and opened hidden opportunities for some people, groups and countries. At the same time, globalization has negatively impacted on economies through increased impoverishment, inequality, and work security, a weakening of institutions and social support systems and the erosion of established identities and values. Globalization is transforming trade, finance, technology, employment, environment, social systems and patterns of governance. This paper analyses the implications of these trends for global development.

Introduction

The term 'globalization' has become fashionable in both academia and the mass media. As a concept, some authors perceive it as an abstract that does not refer to a concrete object but to an interpretation of a societal process. It is an umbrella term for a complex series of economic, social, technological, cultural and political changes seen in the form of increasing interdependence, integration and interaction between people and companies in various locations.

Globalization is therefore used to refer to the collective changes as a process, or even as the cause of turbulent change. Its usage can always take a negative or positive view, depending on one's perspective. Positively, globalization can be viewed as an engine of commerce, which leads to increased standards of living and wealth for all countries. From a negative perspective, globalization is seen as an engine of corporate capitalism, which results in trampling on the human rights of the developing societies, in cultural assimilation through cultural imperialism and in the destruction of the environment among other evils.

There are many definitions of the concept of globalization, almost all of which are subjective, depending on the definer's position and experience. According to the International monetary Fund (I.M.F), globalization connotes the growing interdependence of countries worldwide through increasing volume and variety of cross – border transactions in goods and services, freer flow of international capital, and more rapid and widespread diffusion of technology.

Held et al. (1999:3) conceptualize globalization as the widening, deepening and speeding up of world – wide interconnectedness in all aspects of contemporary social life, from the cultural to the financial and the spiritual. However, this paper will not be analyzing the different dimensions of globalization; its main focus will be economic aspect of globalization.

Naisbit (1994) argues that the process of globalization has made it possible to produce a product anywhere, using resources from anywhere by a company located anywhere to be sold anywhere. Globalization can equally be viewed as the absence of borders and barriers to trade between nations (Ohmae 1995): He emphasizes that globalization is the 'end of geography'.

The Marxist perspective of globalization is that it is neither, an extension of capitalist imperialism nor a radically new form of globalised capitalism, because it seems to bring prosperity only to developed economies.

Contemporarily, there is a debate about whether globalization is a real phenomenon, or only an analytical artifact (i.e. a myth). This debate stems from the need to differentiate *globalization* from *internationalization*. It is argued that the world is currently undergoing an internationalization phenomenon and not globalization. In the former, trade and financial flows take place between nations and under the laws and regulations of those nations, while in a global economy it is expected that all international relations (trade, capital flows etc.) would take place under unified international laws and regulations issued and enforced by international institutions (Hirst and Thompson 1996). The frontiers of countries, in a broad sense, are far from being dissolved, and therefore the globalization process is not taking place, and unlikely to happen in the future. For these reasons, the term internationalization would be more suitable than globalization.

The Marxists in joining this debate would point out that globalization is based on the 'imagined geography', which is a political tool of ruling neo – liberalists who are strategizing to use certain images and discourses of world politics to justify their political agendas. For example, presenting the picture of a globalised world allows the Bretton Woods institutions to demand that countries open up their economies for liberalization under Structural Adjustment Programmes (SAPs), which encourage governments to fund privatization programmes ahead of welfare and public services.

SAPs were introduced by I.M.F. and World Bank in the 1980s to assist African developing Countries overcome and respond to economic shocks and structural imbalances or a way to eliminate market distortions and constraints to economic growth (Ake 1995).

A number of adjustment programmes in Africa had varying degrees of corrective measures targeting mainly such things as devaluation of currencies, flexible interest rates, and reduction of government expenditures in privatization, liberalization and institutional reforms. Broadly, adjustment programmes include reforms to;

- Establish a market – determined exchange rate
- Bring the fiscal deficits under control
- Liberalise trade and
- Improve the financial sector, the efficiency of public enterprises and the coverage and quality of social services

Features of Globalization

Globalization being a multidimensional process is characterized in the economic realm with, increase in international trade, increase in the international flow of capital including foreign direct investment, creation of international agreements leading to the emergence of such organizations as the World Trade Organization (W.T.O), development of global financial systems, increase of economic practices like outsourcing by Multinational Companies through a spatial re – organization of production, the spread and diffusion of identical consumer goods to distant countries. Within the cultural realm, it espouses greater international cultural exchanges, the spread of multiculturalism and better individual access to cultural diversity, greater international travel and tourism and massive migration of population.

Held et al. (1999) point out that globalization is made up of the accumulation of links across the world's major regions and across many domains of activity. They argue that it is not a single process, but involves four distinct types of

changes:
First, globalization stretches social, political and economic activities across political frontiers, regions and continents. Secondly, it intensifies our dependence on each other, as flows of trade, investment, finance, migration and culture increases. Thirdly, it speeds up the world. Where new systems of transport and communication mean that information, goods, capital and people move more quickly. Finally, globalization means distant events have a deeper impact on our lives. The boundaries between domestic matters and global affairs have become increasingly blurred.

Similarly, McGrew (1992:262) observes that globalization refers to the 'forging of multiplicity of linkages and interconnections between the states and societies which make up the modern world system, as well as the process by which events, decisions and activities in one part of the world can come to have significant consequences for individuals and communities in quite distant parts of the globe'. This definition illuminates how the idea that borders are permeable arose from global events that initially might not have appeared as global because they occurred in isolation. These events nevertheless do shape activities worldwide to the extent that the globalizing economy is a key development of the contemporary history.

This paper views globalization as a process that involves both the broadening and deepening of interdependence among societies and states throughout the world. Broadening refers to the geographic extension of linkages to encompass virtually all major societies and states, and deepening refers to an increase in the frequency and intensity of interactions.

Globalization and Neo-Liberalism

Neo-liberalism is rooted in the classical liberal ideals of Adam Smith and David Ricardo, both of whom viewed the market as a self-regulating mechanism tending towards equilibrium of supply and demand, in the process securing the most efficient allocation of resources. Smith and Ricardo posited that any constraint on free competition would interfere with the natural efficiency of market mechanism inevitably leading to social stagnation, political corruption and the creation of unresponsive state bureaucracies. Both further advocated the elimination of tariffs on imports and other barriers to trade and capital flows between nations.

The 1980s saw the emergence of neo-liberalism in new forms as compared to the previous liberal ideas of *laissez faire*, which were less embraced by states in favour of a Keynesianism that called for state intervention in the economy. The governments of Ronald Reagan and Margaret Thatcher led this neo-liberal revolution that seemed further legitimized by the 1988-1991 collapse of communism in the former Union of Soviet Socialist Republics (U.S.S.R) and Eastern Europe.

Neo-liberalism with its bias for economic globalization saw this new era characterized by the internationalization of trade and finance; the increasing power and capacity of Multinational Corporations (MNCs), and the enhanced role of international economic institutions like the I.M.F, the World Bank and the W.T.O. The defining tenets of Neo-liberalism include:

- Privatization of public enterprises
- Deregulation of the economy
- Liberalization of trade and industry
- Monetarist measures to keep inflation in check
- Strict control of organized labour
- The reduction of the government expenditure, particularly social spending
- The reduction of government workforce
- The expansion of international markets
- The removal of controls on global financial flows

Neo-liberal proponents of free trade, point out that the elimination or reduction of existing trade barriers among nations would enhance consumer choice, increase global wealth and spread new technologies around the world. However opponents of free trade point out that the profits from such trade are not being distributed equitably. The gap between the poor and the rich countries is shown to be widening. Opponents further argue that the elimination of social control mechanisms has resulted in a lowering of global labour standards, severe forms of ecological degradation and the growing indebtedness of the global south to the north.

Apart from the issue of free trade, neo-liberalism emphasizes the liberalization of financial transactions. This often involves the deregulation of interest rates, the removal of credit controls and the privatization of government owned-owned banks and other enterprises. Neo-liberal ideologues would argue that such measures would allow for increased mobility among the different segments of the financial industry. This however was proven wrong in the case of the1997-1998 crisis in a number of the South East Asian countries.

The neo-liberals' arguments in favour of globalization could be summarized according to the following characteristics; firstly, both the nations comprising the world economy's industrial core and those in the developing periphery benefit massively when the capital-rich core advances the capital-poor periphery; secondly, the consumers benefit when lower transport costs and reduced tariffs make goods produced far away more affordable. Exporters gain by having a much wider market in which to sell. And thirdly, the more internationalized the world economy is, the more opportunities producers in each country will have in production processes invented elsewhere. In other words faster diffusion of knowledge raises the level of productivity and technology worldwide.

Globalization: An ideology?

It is worth pointing out that an ideology is defined as a system of widely shared ideas, patterned beliefs, guiding norms and values and ideals accepted as true by a particular group of people. Ideology offers individuals a more or less coherent picture of the world not only as it is, but also as it ought to be (Manfred 2003:93).

Globalization, too, has its range of norms, claims and beliefs and narratives about the phenomenon itself. However, there is a need to make an analytical distinction between '*globalization*'- social processes of intensifying global interdependence; and '*globalism*'- an ideology that endows the concept of globalization with neo-liberal values and meanings.
What is globalization all about? Globalization is about the liberalization and global integration of markets that would in the long run further individual liberty and progress in the world. It is about the triumph of markets over governments. This scheme envisages free trade through the removal of barriers to allow unhindered flow of goods, services and capital.

Globalization benefits everyone.

The proponents point out that market liberalization would lead to a rising global standard, economic efficiency, individual freedom and technological progress. 'Globalization furthers the spread of democracy in the world'. This claim is rooted in the neo-liberalist assertion that free markets and democracy are synonymous terms. This clearly shows that the language of globalization is ideological in the sense that it is politically motivated and contributes towards the construction of particular meanings of globalization that preserve and stabilize the status quo-the asymmetrical power relations. These powerful narratives have to a large extent succeeded in promoting an overarching neo-liberal worldview through giving collective meanings and shaping people's identities.

Effects of Globalization

Whereas globalization has immense potential to provide enormous benefits to both developed and developing countries, the reality is that it has failed to live up to this potential. Put differently globalization may have benefited some countries in terms of increased GDP and the flow of goods and services but at the same time it has marginalised some.

This is captured by the World Commission on the Social Dimensions of Globalization, set up in 2001 by the International Labour Organization (I.L.O) which observed:

> The current process of globalization is generating unbalanced outcomes, both between and within countries. Wealth is being created, but too many countries and people are not sharing in its benefits. They also have little or no voice in shaping the process. Seen through the eyes of the vast majority of women and men, globalization has not met their simple and legitimate aspirations for decent jobs and a better future for their children. Many of them live in the limbo of the informal economy without formal rights and in a swathe of poor countries that subsist precariously on the margins of the global economy. Even in economically successful countries some workers and communities have been adversely affected by globalization. Meanwhile the revolution in global communications heightens awareness of these disparities.....these global imbalances are morally unacceptable and politically unsustainable.

Specifically the effects of globalization have been seen in the gradual weakening of the political authority of the state. The state sovereignty is under threat given that globalization has increasingly made state borders obsolete.

The spreading of economic maladies appears in the form of contagion. Key economies are closely connected through the globalization process, making such economies mutually vulnerable. This implies that the economic problems can spread rapidly from one country to another.

The rapid capital movements can in certain instances result in destabilization of currencies, for example the collapse of several South East Asian economies in 1997. The operations of globalization with its inherent unfairness in distribution of benefits continues to make developing countries vulnerable and exploiting their labour and resources thereby making them poorer. There has also been massive dislocation of workforce as industries move frequently from one country to another.

Another challenge that globalization is posing, is the ecological security. The successes of development, has provided countries with economic power to increase energy usage with huge emissions of greenhouse gases. The global warming becomes real in a manner that the world's environment cannot sustain.

Finally, the cultural destruction is quite intense. The rapid cultural westernization greatly alters the traditional livelihoods with unique consequences to the people's values, norms, beliefs and heritage.

Despite the criticisms against globalization, it is imperative to acknowledge that making globalization work will not be easy. However it is recognized that global interdependence is gaining frequency given the advancement in information, communication and technology. Some of the problems with globalization are inevitable and strategies have to be designed in dealing with them.

It is agreed that markets are at the core of any successful economy. Governments have to make available conducive environments for businesses to thrive and to create jobs. This will surely allow the benefits of globalization to be felt. The Dairy Industry in Kenya provides insights into how liberalized markets operate within the fabric of globalization.

The Case of the Dairy Industry in Kenya

Kenya's Dairy industry is regulated through the Dairy Industry Act, Chapter 336 of laws of Kenya as enacted in 1958. This Act saw the establishment of the Kenya Dairy Board (K.D.B), which was mandated to organize, regulate and develop efficient production, marketing, distribution and supply of dairy produce in Kenya.

Mbogoh (2004) points out that the Kenya Dairy Board, however restricted its operations to the regulation of businesses involved in the processing and distribution of dairy products, with a large portion of the industry left under the control of the Kenya Co-operative Creameries (K.C.C). This was the case until 1992, when market liberalization was introduced into the country.

The proponents of liberalization would argue that liberalization policies would improve efficiency in resource allocation by facilitating price adjustments in response to the market forces of supply and demand. Trade liberalization-the opening up of the markets to the unfettered flow of goods and services was intended to lead to growth (Stiglitz 2006).

The liberalization of Kenya's dairy industry took the form of deregulation both product and consumer prices of milk in May 1992. A government policy statement to license any party interested in getting into the dairy processing and marketing, provided that such firms met the minimum hygiene standards, and opened doors to other players in the dairy industry.

Prior to liberalization, K.C.C had the monopoly in the processing and distribution of liquid milk and other dairy products with an estimated market share of 90 per cent. With liberalization, other players emerged, and the consumer prices of milk increased by 20 per cent to 40 per cent between 1990 to 1994 (Mbogoh 2004). K.C.C received 34 per cent of their supplies from large scale producers, 54 per cent from the small scale producers, and 12 per cent from individual small scale farmers.

It is worth noting that prior to 1983 any firm seeking a license to process and distribute milk and milk products in Kenya, had to be issued with such a license through K.C.C. This saw K.C.C enjoy monopoly power over the dairy industry in Kenya until 1992, as it handled 90 per cent of all milk and milk products that entered Kenya's marketing system.

Today, the dairy industry is dominated by dairy co-operatives since most of the marketed milk production in Kenya is from small-scale farmers. It is these dairy co-operatives that forward the small-scale farmer's milk to K.C.C and other current market outlets that have been established across the country. Examples are, the Meru Central District Farmer's Union (M.C.F.U) in Meru District and the Kitinda Dairy Farmer's Co-operative Society (K.D.F.C.S) in Bungoma District.

The impact of liberalization has been considerable in the dairy industry. It has led to the emergence of new players. The sector is currently under the competitive forces of K.C.C, Co-operative Societies as well as private enterprises. K.C.C is no longer protected, either through the licensing or the inspectorate facilities of the Dairy Kenya Board. There has been an increase in both producer and consumer prices of milk. The dairy industry has since become vibrant and revitalised as farmers enjoy wider access to the market with improved prices.

The formal marketing system has expanded greatly with the entry of many producers joining co-operatives or supplying their milk to private firms. There is a reduction in the direct sale of raw milk by producers and consumers. There is intensified market competition among the existing dairy firms that in a broad way has improved the quality at competitive stable milk prices both for producers and consumers. The stiff competition ensures there is no monopolistic determination of prices. The liberalised dairy industry has widened consumer choices, while at the same time provided more opportunities for employment.

Conclusion

There is no doubt that globalization has had significant impact on the economic, political and social aspects of life in developing countries. This is evident in privatization, and liberalization of trade, as well as the integration of economic and other decision-making mechanisms in these countries.

The case of the dairy industry illustrates how trade liberalization for example has positive effects on economic growth and development. The sector enjoys vibrant investments, which equally have stabilized the prices of milk and milk products; widened employment opportunities for many Kenyans who are involved and engaged in the various businesses in the dairy industry. Producers have also become innovative and competitive, thereby enhancing efficiency in the production and the distribution of dairy products.

Unfortunately, however, there appears to be a paradox with regard to the implications of globalization, where the African countries' experience with globalization has been somewhat disappointing. However, these concerns not withstanding merits and demerits to the extent the phenomenon is a reality and African countries have to adopt appropriate strategic measures to respond to the consequences of this inevitable process.

References

Aluko, Sam (2002), *Economic and Political Failure of Globalization in Africa,* John Hopkins University Press

Bhagwati, J. (2004), *In Defense of Globalization*, Oxford University Press

Brown, Juanita (1992), "Corporation as a Community: A new image for a new era" in John Renesch (ed), *A new Tradition in Business*', San Fransisco

Delong, J.B. (2000) *Globalization and NeoLiberalism* at (http:/www.j_bradford-delong.net/

Dickens, P. (1997), *Global Shift, The Internationalization of Economic Activity*, Paul Chapman, London

Falk, R. (1997), *Resisting Globalization From Above Through Globalization From Below*, New Political Economy 2 (1): 17-24

Fukuyama, Francis (1992), *The End of History and the Last Man*, Free Press, New York

Gills, K.B. (1997), *Globalization and the Politics of Resistance*, New Political Economy 2 (1): 11-15

Giovanni, E. R. (2005), *Theory of Globalization: Fundamental Basis*, Primavera / Spring

Held, David and Antony McGrew, David Goldblatt and Jonathan Perration (1999), '*Global Transformations, Politics, Economics and Culture*', Stanford University Press

Jinadu, Adele (2002), *African Journal of Political Science*, vol. 7 no.2

Kema, Irogbe (2005), *Globalization and The Development of Underdevelopment of Third World*' in Journal of Third World Studies, Spring

Mbogoh, G.S. (2004), *The Impact of Marketing Liberalization on Dairy Marketing System in Kenya*, KIPPRA

McGrew, A. (1992), "The Third World in the New Global Order" in Allan, T. And Thomas, A. (eds), *Poverty and Development in the 1990s*, Oxford University Press

Mukama, R. And Murindwa, R. (2005), *Confronting Twenty First Century Challenges*, Kampala

Ohmae, K. (1995), *The end of the Nation State*, Harper Collins, London

Pirages, G. (1999), *Globalization: A cautionary Note*, Paper presented at the 24th Annual AAAS Colloquium on Science and Technology Policy, April 14-16, 1999, Washington

Stiglitz, J.F. (2003), *Globalization and its Discontents*, Network: W.W Norton Company