

# GLOBALISATION: CURE OR CURSE?

A Developing Country Perspective

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# Introduction - 1

## Globalisation:

- Buzzword over the last decade
- Brought to the front burner by the collapse of the Soviet Empire and activities of the Anti - Globalisation Movement



# Introduction - 2

Western perspective traces globalisation to:

1. The expansion of European capitalism in the 16<sup>th</sup> Century following Ferdinand Magellan's circumnavigation of the earth (1519-1524)
2. Huge expansion in world trade and investment between 1800-1920 on account of cheaper transportation costs, enabling European powers to foray into emerging markets and colonise much of today's least developing countries
3. Emergence of multinational companies, decolonization, improved air travel and international communications after WWII

# Introduction - 3

An African perspective traces the advent of globalisation to 3 distinct periods:

1. The slave trade era, 1400-1850, when Africa was major source of labour for western land owners
2. The colonisation era, 1850-1960, which subverted traditional values or made them subservient to the economic and political needs of the colonial power
3. The neo-colonial period from 1960 to date, when Africa inherited weak states and dysfunctional economies, further aggravated by poor leadership and inadequacies of policies adopted by many countries in the post independence era

The concept and consequences of globalisation are therefore viewed as directly associated with the legacy of slave trade, colonialism, the Cold War and successive international economic systems.

# What is Globalisation - 1

- ✦ Difficult to define because it does not refer to a “concrete object” but rather to an “interpretation of a social process” that involves “political, economic and cultural changes”

- ✦ Proponents of globalisation define it in its idealistic sense (deregulation, free trade, etc.) while opponents define it in terms of the consequences that it carries

# What is Globalisation - 2

*“Globalisation is a process in which geographic distance becomes a factor of diminishing importance in the establishment and maintenance of cross-border economic, political and socio-cultural relations. The process reaches such intensity that relations change fundamentally, and people become aware of that change. The potential internationalisation of relations and dependencies creates opportunities, but also causes fear, resistance, actions and reactions”*

Lubbers and Koorevaar

# The Case For Globalisation - 1

✦ *"Globalisation is not a policy choice, it is a fact"*  
- Bill Clinton

✦ *"....it is irreversible and irresistible"*  
- Tony Blair





# The Case For Globalisation - 2

- ◆ Deregulation and liberalisation of government trade, labour and prices offers the best means of enhancing economic progress of nations. The spread of free markets and free trade are the best way to beat poverty in developing nations
- ◆ Claims of “mounting evidence” that inequalities of global income and poverty are decreasing on account of free trade



# The Case For Globalisation - 3

- ◆ China cited as example which, on opening to world trade, has achieved growth in income from \$1460 per capita in 1980 to \$4120 in 1999
- ◆ Claim that international trade has contributed to lifting 3 billion people out of poverty in the last 50 years and only those countries that are not open to trade are getting poorer, mainly African nations

# The Case Against Globalisation - 1

◆ *“Globalisation is really a code name for corporatism. It’s an attempt by the largest corporations in the world, and the largest banks in the world, to re-engineer the world in such a way that they won’t have to pay decent wages to their employees, and they won’t have to pay taxes to fix potholes and to maintain parks, and to pay pensions to the old and the handicapped.”*

- Paul Hellyer

Former Deputy Prime Minister, Canada

# The Case Against Globalisation - 2

- ✦ *"....a recipe for economic, environmental and cultural disaster. Local and national economies everywhere are being exploited by the activities of heavily subsidised investors and trans national corporations. Far from bringing prosperity, globalisation is in fact triggering an international 'race to the bottom'- threatening to impoverish people and degrade environments in every corner of the world."*

*John Page, ISEC UK*

# The Case Against Globalisation - 3

Trans national corporations have become effective monopolies, some of which are larger and more powerful than nation states

## Facts Sheet:

- Of the 100 largest economies in the world today, 51 are corporations and 49 are nation states
- The combined annual sales of General Motors and Ford are higher than the GDP of all sub-Saharan Africa
- Almost all primary commodities, such as coffee or cotton, are controlled by six or less companies globally
- World trade has increased 11-fold since 1950, and yet the gap between the rich and the poor is on the increase. The 225 richest individuals in the world have combined assets greater than the annual income of 2.5 billion people (more than 40% of the world's population)

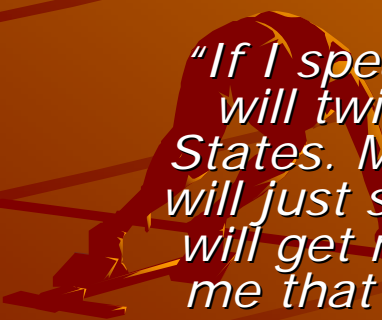
# The Case Against Globalisation - 4

- ◆ National policy is increasingly being determined by global economic institutions, whereby power rests more with such agencies as the WTO, OECD, IMF and the World Bank. All these are heavily influenced by the trans national corporations. So-called economic prescriptions like Structural Adjustment Programme, privatisation, currency devaluation, withdrawal of subsidies, reduction of spending on social services and the 'debt trap' have only but compounded the economic crises and level of poverty in developing nations



# The Case Against Globalisation - 5

- ✦ In most trade negotiations there is no level playing field and the poor countries are bullied into submission. The consequence of any dissent is that the rich nations would simply withdraw aid or freeze their exports



*"If I speak out too strongly, the US will phone my minister. They will twist the story and say that I am embarrassing the United States. My government will not even ask, 'What did he say?' They will just send me a ticket tomorrow.... I fear that bilateral pressure will get me, so I don't speak, for fear of upsetting the master. To me that threat is real. Because I am from a poor country, I can't say what I want."*

- An African delegate to the WTO in Geneva

# The Case Against Globalisation - 6

- ◆ With negotiations completely skewed in their favour, the rich nations have refused to stop subsidising their agricultural exports and continued to destroy the livelihoods of local farmers through dumping of low priced meat, sugar and grains. Conversely, prices of vital prescription drugs necessary for survival continue to be unaffordable because the rich nations would not ease restrictions on their patents



# Globalisation and Africa: Experiences of Nigeria - 1

- ◆ 130 million people, 6<sup>th</sup> OPEC Producer – 2.3 mbd
- ◆ Robust economy up to 1977
- ◆ Lured into USD1 billion ‘debt trap’ by IMF on pretext that country was “underborrowed” in 1978
- ◆ Current debt profile of USD35 billion, annual debt servicing of USD1.7 billion, 50% of debt stock attributed to penalties on arrears and interest

# Globalisation and Africa: Experiences of Nigeria - 2

- ◆ Middle Class decimated, 70% of population survives on less than \$1 a day - 80% on less than \$2 a day
- ◆ Decline in agriculture, industrial capacity utilisation only at about 35%
- ◆ Near total collapse of social services - health services and education bear the most brunt

# Impact on Professionals and Professional Practice - 1

- ◆ Collapse of education and lack of access to modern knowledge and training tools have impaired human resource development
- ◆ Domination of the market by foreign expertise stagnates indigenous professional skills development and capacity building
- ◆ "Brain drain" robs Africa of highly talented professionals and their potential contribution to national development

# Impact on Professionals and Professional Practice - 2

- ◆ No level playing field – IFI projects tied to country eligibility conditions and best practice benchmarks imposed without consideration for Africa's peculiarities
- ◆ 1 pound in – 13 pounds out! Aid is profitable, so there is no incentive for rich countries to invest capital in infrastructure. Thus, no challenging project opportunities for African professionals

# Impact on Professionals and Professional Practice - 3

On a brighter side....

- Modern communications and access to internet have helped create awareness and improve knowledge
- Association between local and international firms, even when most often disproportionate, exposes African professionals to modern technical, management and marketing processes

# Some African Success Stories

- Kenya and Zimbabwe's significant stride in horticulture trade
- Mauritius' \$1 billion annual garment export
- Kenya, Malawi, Ghana and Mozambique's improving competitive positions in exports of processed food
- Ethiopia's 11% share of world imports of sesame seed, \$300 million earnings from coffee and \$180 million from transport companies incl. Ethiopian Airlines (1998)



# Globalisation: Cure or Curse - 1

From the viewpoint of a sub-Sahara African, globalisation would be a **cure** only if it ends the seemingly endless years of hunger, poverty and disease, leading to social upliftment and improved living standards of the people.

This means:

- Removing the shackles of debt owed to western creditor nations and international institutions
- Allowing poor nations free hand to pursue economic models that suit their national aspirations and at a pace commensurate with their level of development
- Allowing poor nations the freedom to choose their political leaders – ‘IMF certified’ or otherwise!
- Free trade must be a two way reciprocating arrangement whereby developed nations also open their markets to goods and services from the South and pay fair prices for these and for raw materials



# Globalisation: Cure or Curse - 2

The responsibility for reversing or mitigating the scourges of globalisation does not rest with the rich nations alone.

Globalisation would be a **curse** when:

- ✦ Poor countries sit back and assume the 'victim syndrome' blaming all their woes on others with no impetus to react to the challenges posed by globalisation
- ✦ Poor countries fail to improve their production capacities based on appropriate solutions commensurate with local needs and level of development
- ✦ Poor countries fail to harness the powers of modern technology to their developmental needs, and allow it to remain an instrument for their manipulation and political and cultural subjugation
- ✦ Poor countries fail to unite with enough potency to call off the bluff of the richer nations on issues that are detrimental to their socio-economic well being

# Globalisation as a Challenge - 1

My conclusion is that globalisation as currently defined and championed by the rich nations is no cure to the predicaments of Africa. But neither should it be classified as a curse at this point in time. Rather, Africa should consider it a **challenge** to enable Africans earn a fair and equitable share in the gains of globalisation, to be a part of its success story and not **the** example of its failures.

# Globalisation as a Challenge - 2

The challenges before Africa and the world include the following:

- ✦ Capacity building for African entrepreneurs and businesses towards improved packaging and delivery of goods and services, and business management processes.
- ✦ Promotion of an 'internal globalisation' through opening of national borders and improved communication between African countries to allow for free movement of goods and people, which would eventually lead to capacity building for trans border and international trade.
- ✦ Huge investment in infrastructure particularly highways, rail and air transport and telecommunication.
- ✦ Inflow of financial capital and strengthening of African financial institutions to position them as global players and therefore effective catalysts for international trade and national development.

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# Thank you!

