“Is globalisation good for Africa?”

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Dr Annemarie Wolpe: Kuseni has a spectacular academic record. He has a degree form Natal University, was elected South Africa’s last Rhodes scholar at Oxford and did an M Phil degree there in 1996. He joined De Beers that year. He is now head of Human Resources at AngloGold. He has lectured on international relations at Wits University and is on the Board of the National Business Initiative. He is also prominent in the South African Institute of International Affairs.

KUSENI DLAMINI

Harold Wolpe was my intellectual mentor. I have been inspired by his work and thinking and it is in the great tradition of that son of the soil that we are gathered here today.

Is globalisation good for Africa? This is the question that brought us here tonight. It is a key question that deserves good answers. However, I would like to challenge you to ask yourself another equally key question: is Africa good for globalisation? If globalisation is to be good for Africa (as indeed it can and must be), Africa must be good for globalisation.

One of the main reasons why Africa is the poorest continent in the world while being the most endowed with natural resources is that it is economically fragmented. Africa has 53 countries with restrictive barriers limiting the free movement of goods, services, capital and people. Indeed most African countries trade more with Europe and the United States than they do with each other. This is very abnormal.

Martin Wolf of the Financial Times is right ask: “who imagines that the welfare of Americans would be improved if their economy was fragmented among its fifty states…? Who supposes that Americans would be better off if every state had its own capital market, and GE, Microsoft and IBM could operate in only one of these states?” Wolf is right to argue as he does that, “in such a Disunited States, without inter-state direct investment, capital markets or trade, the decline in living standards would be precipitous. A similar disaster, Wolf notes, would befall Europe if policymakers once again fragmented the European economy into the isolated national economies of 1945. This is precisely the current problem of Africa. Africa has a huge globalisation deficit marked by the lack of a coherent and integrated regional economic bloc, which, I dare say, is an indispensable prerequisite for successful globalisation.

Globalisation matters. It must be viewed as a catalyst for the modernisation, growth and development of African societies for generations. The question we are debating is, needless to say, one of the most topical issues debated by intellectuals and ordinary citizens alike in most parts of the continent and by keen observers of African affairs elsewhere in the world.

The debate on globalisation has reached a level of passionate intensity that inhibits rational discussion. Critics of globalisation charge that it causes or exacerbates poverty, inequality and undermines sovereignty, democratic governance, the environment while favouring the rich and powerful in society and the world. They are wrong. The view that globalisation is bad for Africa is as misguided as it is absurd. It is premised on the wrong notion that Africa can exist and succeed independently from the rest of the world. No continent can. Africa cannot succeed on its own. Anyone who thinks it can, must tells us how.

But who are the critics of globalisation or what some have called members of antiglobalisation.com or dissenters.com? They can broadly be divided into two camps operating in 'mobilisation networks' aimed at heightening public awareness of the target international institution's role in globalisation and, by so doing, to either change its agenda or shut it down.

The first camp comprises old-fashioned economic interest groups like trade unions concerned with jobs at home and labour standards abroad; farm lobbies and other producer groups determined to protect their vulnerable economic positions. Industrial lobbies, especially in industries like steel, play a key and influential role maintaining support for protectionist anti-dumping laws in rich countries, while the politically powerful agricultural lobby determines the trade policies of the European Union, the United States and Japan which limit market access for African farmers.

The second camp is that of single-issue non-governmental organisations often claiming mass membership across boundaries. This is the camp of idealists driven by the courage of their moral and ethical convictions. They include environmentalists and conservationists, development activists campaigning against poverty and third world debt and IMF-imposed structural adjustment and liberalisation policies; consumer groups concerned with product safety and consumer health, human rights activists concerned with child labour and poor working conditions in China, India, Burma and elsewhere; church groups; gender activists and indigenous or traditional rights campaigners. This camp also includes old-fashioned socialists and neo-Marxists as well as fascists like Jean-Marie Le Pen of France and Pat Buchanan of the United States.

Irresistible

Globalisation is the natural order of things. It is irresistible. It must be embraced as an opportunity rather than feared or resisted as a threat because it is not. Martin Wolf is right to argue, as I will, that "the failure of our world is not that there is too much globalisation, but that there is too little". Africa has a huge and untapped potential to benefit from globalisation. It simply must get on with it as China and India are doing or as South Korea, Singapore and Malaysia have done. Africa must globalise more, not less. Globalisation is key to raising standards of living and liberating people and nations from marginalisation, ignorance, poverty, disease and underdevelopment.

This question, I shall argue, ought to be viewed within the broader context of globalisation underpinned, as indeed it is, by the emergence of competing regional economic blocks. The former Oxford don, Alan Rugman, has argued convincingly that far from taking place in a single global market, most business activity by large firms takes place in regional blocks. For example, over 95% of all cars produced in Europe are sold in Europe.

The emergence of Africa as a formidable regional economic bloc that can stand its own against the European Union (EU), the North American Free Trade Area (NAFTA) and the Association of South East Asian Nations (Asean) is in the best interest of both South Africa and Africa.

To the extent that South Africa's expansion into Africa contributes to the strengthening of Africa as a globally competitive regional economic block (as I think it does in ways that are not insignificant), this trend should be supported not least because in the final analysis competitive battles will be won or lost at the regional level.

The countries that have successfully developed themselves as winners from globalisation have done so on the basis of being part of strong and formidable regional economic blocks. South Africa and Africa cannot escape this dynamic. It would therefore be in the best interest of South Africa and Africa to unleash Africa's productive forces in a way that positions both in the mainstream of global affairs.

Africa's marginal positioning in the broader global scheme of things needs to be addressed if we are to deal with the levels Afro-pessimism prevalent in Africa and beyond. Africa accounts for only 1.5% of global gross domestic product (GDP) and about 2.1% of global trade (it was 3% in the 1950s) yet its share of the global population is about 13%. It has a gross continental product figure of about $540 billion – comprising $200 billion for North Africa, $120 billion for South Africa and only $200 billion for sub-Saharan Africa.

The continent's total GDP is less than Spain's GDP of $580 billion, just over the Pentagon's budget of $400 billion and only five times oil company Exxon Mobil's turnover of $191 billion in 2001. On a more positive note and in what was a vote of confidence for Nepad, the IMF, in June 2003, noted that if implemented properly, Nepad could raise Africa's GDP by 80%.

Most leading companies in South Africa have endorsed the Nepad initiative, even if for some it is sometimes just rhetoric devoid of substance. The global business scene is dominated by the 500 largest multinational corporations (MNCs, based in the triad regional blocks of the EU, NAFTA & Japan), which account for 90% of global FDI, from a total of some 30 000 MNCs.

Bottom place

African countries invariably occupy the bottom places on the world league tables. This indicates the extent to which Africa remains on the periphery of an increasingly globalised world. Effectively, while the rest of the world has been globalising, Africa has been left by the wayside.

It is my view that it is only through the growth of a vibrant and globally competitive African business sector that the continent's chronic and acute marginalisation can be resolved. There is no other way. Globalisation has contributed to the rise in the world's overall standard of living over the past 35 years.

In the 1950s and 1960s, the Marshall Plan underpinned by US-led foreign direct investment (FDI) delivered the spectacular recovery of post-war Europe and later

Japan, which in the 1980s turned to be the engine that helped to sustain growth in North America and Europe. Africa's problem is also not South African penetration and expansion. It is the lack of it. There are a number of factors that still inhibit the expansion of South African companies into Africa. These include the human capital deficit cause by lack of strategic investment in people development, poor infrastructure, lack of certainty regarding the rule of law and the sanctity of contracts, corruption, the democratic and governance deficits as well as inappropriate policies and regulatory regimes.

All these factors increase the cost of doing business in Africa. If Africa is to effectively compete for FDI, the costs of doing business must come down. South African companies, unlike their European and American counterparts, have taken a long-term positive view of Africa by diversifying their investments beyond the traditional sectors.

Most European and American companies still confine their activities within the traditional sectors of petroleum, mining and construction. South African expansion and penetration into Africa over the past ten years has contributed, in ways that are not insignificant, to the socio-economic growth and development that we see on the continent. Indeed those countries that have had more South African companies come to set up shop outperform those that have fewer.

The advent of a non-racial democratic South Africa in 1994 opened and widened the space for this country to play a significant role in international as well as regional economic and political affairs than hitherto. More importantly it has unleashed massive business opportunities for South African companies beyond the traditional sectors of construction, mining, steel and timber. South African companies are now active players in new sectors like financial services, advertising, retail, skills development, consulting, telecommunications, healthcare, property development and others.

This was to be expected, not least because of the country's dominant economic and political position in relation to the rest of Africa and the legacy of sanctions and international isolation which meant that local companies, unlike their European and American peers, could not freely invest in most parts of Africa. South Africa is well positioned to unlock Africa's economic growth and development potential. The country's Africa (foreign) policy and active pursuit of economic opportunities on the African continent ought to be viewed within this backdrop. South Africa's economic and political engagement with Africa has intensified and expanded over the past decade since the end of apartheid.

SA in top ten

Within a period of less than ten years South Africa has become one of the top 10 investors in most African countries. It has also become one of the top 10 trading partners for most African countries. European and American companies which historically dominated the African business landscape are facing stiff competition from South African companies determined to increase their share of investment and market opportunities.

This trend is set to redefine the balance of economic power and space in ways that are not insignificant. The African business landscape is more contested now than it has ever been. The deepening of economic ties with Africa has been one of the most notable features of the emerging relationship between South Africa and Africa.

Politically, Pretoria has extended its commitment and deepened its engagement with Africa by, *inter alia*, providing diplomatic leadership and military capabilities for peacekeeping missions where required on the continent.

The desire to adapt South Africa's negotiated settlement in pursuit of the ideal of African solutions to African problems has, in some instances, underpinned, inspired and/or informed Pretoria's role in conflict resolution and peace settlements on the continent.

But why is South African penetration of and expansion into Africa in the best interests of both? Firstly, South Africa's involvement in Africa is driven by a long-term vision that seeks to promote the continent's socio-economic renewal. It is part of the Nepad project which aims to unlock Africa's renaissance.

Most South African companies that go into Africa do not just identify with the African reality: they are part of it. They are influenced by it as much as they shape it. As the continent's economic powerhouse, South Africa has more to gain or lose from Africa's success or failure. While there are compelling moral reasons to help Africa, there are also compelling pragmatic reasons that have to do with South Africa's enlightened self-interest. Experience tells us that there is nothing that can better focus the attention of any country other than its national interest. There is no reason why South Africa should be an exception from this rule.

Self-interest

It is in South Africa's enlightened self-interest to make Africa work. Secondly, South Africa's market is small by global standards. It makes sense to promote the growth of durable market economies in Africa to expand market opportunities for local products. This is also key to attracting and retaining foreign direct investment. One of the reasons why FDI inflows into Africa are limited is the small size of individual African markets.

South Africa's expansion into Africa contributes to the emergence of a greater African market that can effectively compete with India, China and other developing world markets. By moving into Africa, South African companies turn historically poor people with little or disposable income into economic citizens and thus expanding the size of the African market which is key to sustaining economic growth through new investments.

Why does Africa matter and why should South African companies lead the way to Africa? First, things are getting better in Africa. Although there are still perceptions of high risks in Africa, the returns are also comparatively high. In sectors such as banking generous returns on investment of around 30% are not uncommon and according to work done by Dianna Games for the SA Institute of International Affairs (SAIIA), returns can be as high as 50 – 65% compared with SA's average of between 16 – 20%.

Secondly, the policy and regulatory environments are improving in most African countries. This is linked to a move in most countries towards better governance, transparency and accountability as well as a generally business friendly climate. This would provide certainty, predictability and a more reliable regulatory regime where there was none and ultimately lower the overall cost of doing business. Thirdly, the wave of privatisation currently underway in most countries has unleashed huge opportunities which local companies should not ignore. By the late 1990s, the majority of parastatals in Africa were either fully or partially privatised. Privatisation where properly done and thought-out can result in efficiency improvements which in turn contribute to overall competitiveness profile of a country. South African companies and parastatals have taken advantage of some of these opportunities.

Fourthly, most African countries are making significant progress in setting up anti-corruption committees to effectively deal with corruption. There is more that can and must be done on this front to change the bad perception that Africa still has. Furthermore, democracy, peace and stability are now the norm rather an exception in most African countries.

Democracy spreads

Over two-thirds of African countries have democratically elected governments. More Africans are governed by governments they freely elected than was the case ten to fifteen years ago. This is a sign of progress. Most of the conflict spots in Africa (from Ivory Coast to the DRC to Somalia to Liberia) are either being addressed through inclusive and legitimate processes or plans are underway to put in motion such processes.

The response to the crisis in Togo is a good example. Enlightened African leaders have assumed collective responsibility for stabilising the continent. Things are working. Africa has never been safer for South African business. To the extent that South Africa is either at the forefront or plays a central role in conflict resolution and peace initiatives in Africa, it makes sense that South African companies should be at the forefront of Africa's economic revival and that they should benefit from the peace dividend that results from the peace initiatives led by the South African government. How does Africa benefit from this?

Firstly, Africa stands to benefit from the liberation of its productive forces in pursuit of value creation opportunities. Job creation and poverty can addressed in the process. These are key socio-economic challenges facing most of Africa. South African companies are playing a key role in unleashing Africa's untapped economic potential in hitherto neglected economic sectors.

Secondly, most South African companies embrace their corporate citizenship obligations. This means that they plough back some of their profits to social investment initiatives. To the extent that this is done South African companies stand to benefit from having a good image and reputation and, above all, good relationships with the people and communities where they operate.

Thirdly, infrastructure development is another key area in which benefits accrue to Africa as a result of South African companies investing on the continent. Without infrastructure there can be no viable economic activities. To the extent that most of the investments by local companies require prior investment in infrastructure development, the benefits to Africa cannot be overemphasised.

Fourthly, skills transfer, development and sharing of best practice are other areas of key strategic benefit for Africa. European and American companies historically neglected these areas because of the nature of their investments. South African companies can and must differentiate themselves by doing better than their Western in these areas.

To conclude: there are certain fundamental questions that need to posed regarding the relationship between South Africa and Africa. First, can it be any different from what it is? If so, how? Is it necessarily unique to this part of the world to have the existing pattern of relationships between what is, by all accounts, an economic and political powerhouse and its weak and, sometimes small, neighbours? How different is the relationship between South Africa and Africa from that between America and its NAFTA partners; and from that between Germany and France and their weak EU members?

I would like to suggest that there is nothing very unique or too different from SA's relationship with Africa and other relationships elsewhere in the world marked by the same balance of power dynamics. South Africa can and must be a force for good in Africa. In the final analysis it only a mutually beneficial strategic partnership underpinned by trust that can result in a globally competitive regional economic block. The relationship should not be seen as zero-sum game, because it is not. It must be viewed for what it is and what it should be: a win-win positive sum game that would reinvent Africa to take its place in the mainstream of global affairs.

QUESTIONS AND DISCUSSION

A speaker: Above all, Africa needs guidance. The countries that received aid under the Marshall Plan knew how to use that help but Africa doesn't have that advantage. So much money has been poured into Africa. Africa should form bilateral arrangements with developed countries so they can have a guide. Each developed country could be a channel. It doesn't have to be a G8 country. Norway and Angola are both oil producers.

Henry Melba from the Nordic Africa Institute: I live in Sweden. The Nordic countries are a good case in point. The kind of globalisation you propose creates the idea you need to be permissive and everything will develop from there, but the point of take-off is a different dynamic. They(Nordic countries) have been productive and have invested in their own economics and based on that the big countries went global. African society started 400 years ago with the slave trade and there was no chance to add value.

Nordic countries were at the bottom of Europe 100 years ago. If there's any lesson to be learned there it's because they started to invest at home with a strong state and strong regulatory forces, accountability, transparency and democratic rule. They didn't go global in the first place. The millions of immigrants the 19th century produced out of poverty went to the US and Australia. They migrated because of hunger. Zimbabweans too have been driven out by appalling circumstances.

Kuseni Dlamini said strong regional blocs are good. That's the point. The type of globalisation we are confronted with today is undermining regional blocs. There is no chance if you go global. South Africa invests elsewhere but where is the local growth? Globalisation today is concerned with profit maximisation. When you speak of globalisation what you actually mean is social Darwinism.

Neil Coleman, Cosatu: With regard to the European experience and the Asian tigers…in South Korea they put business people in prison and force them to invest internally. There's a massive programme to school the population. The idea that globalisation can mimic that is a myth. I don't believe the new African elite doesn't have an important role to play, but they need a new voice in business that doesn't mimic white minority capital and the IMF.

What will change development in Africa? Is the situation in Africa because of neglect by African leaders or by design? The economic underpinnings do limit the process in terms of how you can negate all the forces of globalisation. You argue that Africa isn't globalised enough. A development economist said the problem was there wasn't enough exploitation. The marginalisation of Africa is a product of our history. With regard to the small market in Africa, what is impoverishing us?

Michael Yates?: If you look at the industrialised countries, most of their trade is directly with each other. In eastern Europe state capitalism hasn't been as bad for citizens as private enterprise capitalism. In the least developed countries it is absolutely pitiful. The guys at the top of the table are adopting disciplines for this that work for them. In sub-Saharan Africa they are off the plot and not doing any of this within their societies and integrity is part of it to generate flows of value for these countries.

Can you tell me why sub-Saharan African countries are not doing the things for themselves that have worked for countries that are industrialised and are working for the Chinese and the Indians? Why do Africans seem to be oblivious to these technologies and refuse to uplift themselves?

A speaker: I propose that the two speakers get equal time to reply to these questions.

A speaker: I am a trade unionist from Denosa. I would say that globalisation has been not for those who are benefiting but it exploits people. South Africa is exploiting Africa. Europe and the US are exploiting South Africa and South Africa is caught in between and being dictated to by the WTO. We are trying to help our brothers in Africa but their resources are no longer there. Colonisation has taken everything out of Africa. A lot of SA nurses and doctors have left. We have bad conditions in our hospitals. The day when newborn babies are dying in our hospitals is here because the nurses can't carry the workload. The President has said he is not afraid of the brain drain, but if we allow an open door like that we are going to suffer. (Applause).

Kuseni Dlamini: The idea of a strong state was acceptable at a certain time. The challenge is to look at opportunities and constraints in a situation and to maximise opportunities. If you suggest that Africa adopt the strong interventionist model it won't work. No country has succeeded in that. China has grown its economy by 9,1% and their performance in global trade is 15% per year up to 2001. It gets 53,7 billion US dollars in investment. America got 52,3%. They are making their country safe for globalisation.

India under Indira Gandhi was a basket case. Since reform, investors have been moving in. Its proportion of world trade is increasing and it is taking more people out of poverty. We are taking people into poverty. If you say we should invest internally – yes, but you cannot succeed in that way. If you are a wine farmer in the Cape you have to have those external markets. It won't create employment to focus internally. We need foreign direct investors to come here.

400 million people in China have been taken out of poverty, while Nigerians are worse off that they were in 1970 and Angolans are worse off than they were in the 1950s. There is a correlation between the policies countries adopt and the extent to which they develop. And we can't win a debate at the UN because we are not setting the terms of the debate but merely responding to it.

Neil Coleman questioned the neglect of African leaders. Martin Meredith's book on the state of Africa over the past 50 years asks why Africa is in this predicament. There are leaders who became demigods and made themselves life presidents. There has been poor leadership but also external issues. Why are Africans oblivious to the techniques others have used to pull themselves out of poverty?

There is also the question of the role of institutions and of leadership.

Dot Keet: It is at our peril in South Africa if we imagine we can replicate in South Africa the kind of control of behaviour and exploitation between the most and least industrialised countries. If the rich think they can get away with it they are deluding themselves. We cannot sit back and see South African countries moving into Africa on the basis of high tariffs imposed in the rest of Africa and the corruption and self seeking that has been encouraged in Africa through deregulation and privatisation. There should be a price to pay. What happens now is an increasing polarisation of development between South Africa and the rest of the continent. The result is that elites benefit. If people think that South Africa can be an island of prosperity and security when there is resentment towards South Africa they are deluding themselves.

South African companies are not shining knights. They are exploiting Africa and destroying local companies where they operate and bringing the wealth back here. If that is the pattern South African business will pursue we face a dim future for South Africa and for the rest of the continent.