GLOBALISATION AND AFRICA: KENYA

CASE STUDY.

BY

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A THESIS SUBMITTED IN PARTIAL FULFILMENT FOR THE DEGREE OF
MASTER OF ARTS IN INTERNATIONAL RELATIONS IN THE FACULTY OF
ARTS AND SCIENCES.

UNITED STATES INTERNATIONAL UNIVERSITY.

2005
DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution or university other than the United States International University in Nairobi, for academic credit.

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ACKNOWLEDGEMENTS

I wish to express my gratitude to The United States International University for granting me the scholarship to pursue this Masters Degree in International Relations. May I sincerely thank my supervisor Amb. Dr. David Kikaya for guiding and steering my thesis project. I could not have succeeded without his wise counsel. I cannot forget to thank the many lecturers who taught me in this program such as Prof. Munene, Dr. Hiteg, Amb. Dr. Mwanza, Dr. Nying’uro and the late Prof. Haggai Okello. Their in-depth critical analysis of International Relations opened my mind to the world issues that constitute the subject matter of this work.

Let me thank my wife Nancy Njoki Mburu for her love, understanding, support and patience when I was away from home pursuing these studies. To my children Elizabeth Wangari, Peter Gathua, Mary Njeri and Abraham Mwangi I say thank you for your support. Last but not least my good friends Solomon Ndichu, Judy Njambi, Samuel Mambo, Charles Waithaka, Dr. Waweru, Angeline Oulu and the late Samuel Kamau gave me a lot of encouragement to complete this work.
DEDICATION

This dissertation is dedicated to three people who shaped my destiny to reach where I am today. My loving late grandmother Tabitha Nyambura (Cucu wa Ndeiya), my industrious late father Peter Gathua and mother Elizabeth Wangari. I sincerely owe the three of you greatly for toiling so hard for my schooling from the humble means available to you.
ABSTRACT

The end of the 2nd World War marked the creation of cold war bipolar world order championed by the United States for the pro-west and the Soviet Union for the pro-east groupings of countries. Colonialism, imperialism and neo-colonialism were engulfed in this web of international relations until the end of 1989 when the cold war started to fade. The imminent vacuum that could have been occasioned was quickly filled by the new ideology of globalization that has continued to spread to all countries of the world un-abated.

Globalization is the integration of economies through trade, financial flows, exchange of information and technology, cultural and environmental discourses and the movement of people. It has become a major topic of discussion and concern in international relations especially since the mid 1990s. It is clear that the trend towards more integrated world markets has opened a wide potential for greater growth, and presents un-paralleled opportunities and challenges for developing countries to raise their living standards. Despite this view, many scholars particularly in developing countries have raised doubts of marginalisation, exploitation, dumping etc. Kenya, like many developing countries has responded to the challenges of globalisation with varying degrees of success.
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ABBREVIATIONS.

AIDS-------------------Acquired Immunodeficiency Syndrome
APRM-------------------Africa Peer Review Mechanism
ATM-------------------Automated Teller Machine
CHE-------------------Commission for Higher Education
COMESA-----------------Common Market for Eastern and Southern Africa
ECOWAS----------------Economic Community of West African States
ESAF-------------------Enhanced Structural Adjustment Facility
GDP-------------------Gross Domestic Product
HDI-------------------Human Development Indicators
HIPC-------------------Heavily Indebted Poor Countries
HIV-------------------Human Immunodeficiency Virus
ICT-------------------Information Communications Technology
IGAD-------------------Intergovernmental Authority on Development
IMF-------------------International Monetary Fund
KANU-------------------Kenya African National Union
NARC-------------------National Rainbow Coalition
NEPAD-------------------New Partnership for Africa’s Development
NGO-------------------Non-Governmental Organization
PRGF-------------------Poverty Reduction and Growth Facility
SADCC------------------Southern African Development Coordination Conference
TV---------------------Television
UNCTAD----------------United Nations Conference on Trade and Development
US---------------------United States
WHO-------------------World Health Organization
WTO-------------------World Trade Organization
CHAPTER 1
INTRODUCTION

In the late 1980's the bipolar cold war between the United States of America and
the Soviet Union crumbled turning the world into some kind of chaos. People in
many parts of the world on both sides of the bipolar divide demanded change and
freedom. Religious organizations, political activists, Non-Governmental
Organization's (NGO's) and students demanded for democracy, freedom of
expression and association, transparency and multi-party system of governance.
Kenya was not left behind. Rev. Timothy Njaya's new-year (1991) message to the
long reigning Kanu regime told President Moi to accept change or change would
change him. Old state structures were disintegrating like dominoes against the
peaceful integration of nation-states across many countries. The end of the Cold
War era opened for some people an era of freedom and democracy and for others
an era of grief, revenge and retaliation. People began to take to the streets and civil
wars proliferated. In Kenya July 7th 1990 second liberation demonstrations baptized
as "saba saba" led by Mr. Kenneth Matiba and others are still fresh in the minds of
studious Kenyans. In fact, from 1988 when the general elections were conducted
through the queue (Mlolongo) method, many Kenyans suffered heavily at the
hands of the police under orders from the ruling elite to quell all those agitating for
democracy, transparency and freedom of expression.

Kenya's ruling elite loudly proclaimed that Kenyans were not cohesive enough to
have a multi-party system of governance. Most of the public gatherings were
violently broken and a lot of human and material loss was occasioned in the country. Vehicles were burnt, shops looted and many people maimed and/or killed. Other noticeable areas of conflict in Africa in the early 1990’s were Liberia, Rwanda, Benin, Gabon, Togo, Mali, Sierra Leone, Senegal, Congo, Algeria, Egypt and Zambia. The already existing wars in Angola and Mozambique escalated. Political violence got worse in South Africa. All of the oppressed people in the African continent seized this opportunity to correct their situation and to call for justice. Various national and international actors like NGO’s, churches, multilateral organizations, etc compounded the situation by stepping into the fray without really understanding the dynamics and scope of the events. In the eyes of the authoritarian powers, the conflicts were sporadic actions by those manipulated masses by the so called foreign powers that could be suppressed at any time through intimidation or by action of the police and the army.

The rising political opposition however was the movement’s own making and the people vowed to use and match on until those in power were brought to their knees. Just like in the years preceding independence in many African countries when the colonial powers tried to control African peoples for their own interests, these events of the early 1990’s provided the ideal opportunity to introduce tribal multiparty systems intended to bring about new illusions of democracy and prevent the nations from achieving true unity under the newly found political dispensation. Unfortunately the blowing wind of change was too strong and beyond the control of the political actors. Nobody could control or direct the masses. Even the police and
the army's bullets and tear gas lost their repressive power as they engaged masses that no longer feared them. All these events unfolded on a backdrop of abject poverty, mistrust, hatred of the ruling clique, corruption and mismanagement of the countries' wealth and economies. Internationally, democracy was viewed as the best system to resolve all the problems facing Africa during those years as Mulunda-Nyanga summed up: "The international community readily endorsed the holding of multi-party elections as the avenue to achieving stability". (Mulunda-Nyanga 1997, p27).

To put all these intrigues in perspective, I propose to analyze this topic through four main chapters herein entitled chapter two to five. In chapter two I present the theoretical framework of globalization and Africa. In chapter three, I zero-in on selected economic development indicators affected by globalization. Chapter four analyzes how education has been re-shaped by globalization in this continent of Africa. In view of the prominent role that communication super highway increasingly plays in globalization, Chapter five strives to put this in context in Africa. As Ambassador Kikaya put it in his lecture, whoever controls information communication technology shall control the destiny of the 21st century. I have opted to add two other chapters to enable me wrap up the topic by discussing the merits and demerits of globalization in Africa in Chapter 6. The concluding chapter develops linkages and summing up.
LITERATURE REVIEW

Historical perspective of globalization

With more open societies as a result of introducing democratic practices, came the phenomenon of globalization. However, people and societies in different parts of Africa have long had contact with Asia, Europe and the Americas. Trade, migration, and the exchange of ideas between African nations and societies with the outside world greatly impacted the history and development of Africa. Just as importantly, contact with African societies and peoples significantly influenced the history and development of societies and culture in Asia, Europe, and the Americas. Societies in Western Asia have traded with societies in North and East Africa for thousands of years. Indeed, historians have recorded trade between China, South East Asia, and India with East African kingdoms and societies over a thousand years ago. Societies in southern and South-eastern Europe have had economic contact with societies in North and West Africa for thousands of years too. Economic historians who study early economic contacts between Asia, Europe and Africa believe that trade benefited both partners in the exchange and those societies (mainly the governing classes) in Africa, Asia, and Europe were better off economically as a result of the contact.

There was a remarkable change in the nature of contact between Africa and other regions of the world beginning at the end of the fifteenth century. This was particularly true for the economic relationship between Europe and Africa. This period was known as the Renaissance in Europe, a period of learning and cultural
change. Economically, European societies and nations were very interested in expanding trade with other regions of the world and these factors stimulated European nations, particularly Portugal and Spain, to seek ocean trade routes to Asia. The Portuguese endeavors brought Europe into direct contact with parts of West, Southern, and East Africa, where Europeans had no prior contact. Spain sponsored Christopher Columbus and his voyages of exploration that brought Europe into contact with the Americas.

Over the next five hundred years, the nature of Africa's economic contact with other regions of the world changed dramatically. Europe's expansion into the Americas and Asia embraced Africa in a manner that drastically impacted many societies and people in Africa. The most dreadful contact however was the slave trade that forcefully removed millions of Africans to work as slaves in the farms and mines of South and North America, which produced sugar, tobacco, cotton, iron ore, copper etc the profits from which fueled the industrial revolution in Europe. This can be viewed as the beginning of the global economic system. The next phase in the development of a truly global economic system was the colonization by Europe of Africa, most of Asia, and earlier, South and North America. At the time of their political independence, the new African nations were integrated into an international economic network.

Looked at logically therefore, the concept of globalization did not originate in the 1990's at the end of the cold war. What happened in the early 1990's is in fact the formalization of the concept or internationalization (or opening up) of trade,
economies, borders and cultural barriers especially those that had been closed in through the rivalry between the two superpowers. The world emphasis veered towards opening of states to each other and hence the coining of the term globalization.

**Modern conception of globalization.**

Since 1960's, globalization has acquired considerable importance universally. It is seen as a short way of describing the spread and connectedness of production, communication and technologies across the world. That spread has involved the interlacing of economic and cultural activity. Some people also refer to it as the efforts of the International Monetary Fund, the World Bank, the World Trade Organization and related multilateral organizations, to create a global free market for goods and services, Walden, Bello et al (2004). Others view it as a process that is beneficial as the key to future world economic development, inevitable and irreversible, Panagariya, Arvind (2004). Proponents of the concept of globalization see free market system as a starting point for reducing world poverty through the provision to the poor an opportunity to improve their own lives. They feel that this is the catalyst for creating a fairer, hopeful and stable future, Panagariya, Arvind (2004).

Globalization may also lead to greater economic, social, or cultural equality around the world. It may increase the power, wealth, and influence of individuals, institutions, corporations, and nations that are already wealthy, influential, and
powerful. Economic development and responsible unfettered free markets, however, are the most reliable and sustainable strategies for global poverty alleviation. Other scholars especially in the developing countries regard globalization with hostility, suspicion and fear believing that it increases inequality within and between nations, threatens employment and living standards, consequently thwarting social progress. Three eminently Kenyan scholars Makumi Mwagiru, Peter Biwott and James Anyanzwa are of this view. Biwott argues that “globalization is a modern form of social, economic, environmental and political colonialism and exploitation. It exacerbates poverty and also brings human suffering to the poor countries”. He goes on to say that “during colonialism, Europeans used religion as a tool to spread civilization and later opened up the continent for economic exploitation. Although education and Christianity had positive results, they were used to make Africa an easy prey for exploitation” (Biwott Peter K 2004, p7).

Anyanzwa on the other hand avers that globalization is a cause of resource-based conflicts in Africa. He quotes the Swiss ambassador Pierre Comberrous who says that “globalization which is the pillar of the World Trade Organization (WTO) trading bloc has a propensity to incite unfavorable forms of competition, profiting the lowest bidder at the expense of the workforce” (Anyanzwa James 2004, p4). Others feel that globalization will lead to marginalization, exploitation and even dumping of low quality goods in the poor developing countries. Walden Bello is among those who have examined the impact of economic globalization on poverty alleviation and
other indicators of human well-being through concentrating on the three decades of globalization's most rapid growth and reports that "the outcomes for the poor were exactly the opposite of what is claimed by globalization advocates, and in fact finds that globalization policies have contributed to increased poverty, increased inequality between and within nations, increased hunger, increased corporate concentration, decreased social services and decreased power of labor vis-a-vis global corporations" (Walden, Bello 2004, http://www.ifg.org/pubs.htm).

**Globalization in relation to Kenya.**

My thesis will try to analyze globalization in relation to Kenya and identify ways in which Kenya can tap the gains of this process, while remaining realistic about its potentials, limitations and risks. Globalization offers extensive opportunities for worldwide development and some countries are becoming integrated into the global economy much more quickly than others. Makumi Mwagiru classifies the different countries into "embracers who have readily accepted and adapted globalization e.g. Uganda, South Africa, China, India and Egypt, avoiders who have resisted change e.g. Zimbabwe and finally the resisters who proceed with life as if the Cold War and its political ramifications never ended. They continue wasting their resources on internal wars. Examples he gives are Liberia, Somalia and Sierra Leone" (Makumi Mwagiru 2004, p5).

Countries that have been able to integrate with the world economies are seeing faster growth and reduced poverty. For example the outward-oriented policies of
many East Asian countries have brought dynamism and greater prosperity transforming the region from one of the poorest areas of the world 40 years ago in the early sixties. As living standards rose, it became possible to make progress on democracy, economic growth, environmental protection and labor standards. By contrast, in the 1970s and 1980s when many countries in Latin America and Africa pursued inward-oriented policies, their economies stagnated or declined, poverty increased and high inflation became the order of the day. In many cases, especially in Africa, adverse external developments like fuel prices, indebtedness made the problems worse. Luckily as these regions changed their policies in the 1990’s, their incomes, looked from a wider perspective, have begun to rise. Encouraging this trend is the best course for promoting growth, development and poverty reduction.

The crises in the emerging markets seen in the 1990s made it quite evident that the opportunities of globalization do not come without risks arising from volatile capital movements and the risks of social, economic, and environmental degradation created by poverty. This is not a reason to reverse direction, but for all concerned in developing countries, in the advanced countries, and investors to embrace policy changes to build strong economies and a stronger world financial system that will produce more rapid growth and ensure that poverty is reduced. The trend towards more integrated world markets has opened a wide potential for greater growth, and presents un-paralleled opportunities for developing countries to raise their living standards.
How can the developing countries be helped to catch up? Does globalization exacerbate inequality or can it help to reduce poverty? Are countries that integrate with the global economy inevitably vulnerable to instability? What is globalisation and its implications for Kenya’s economy? What are its potential benefits and risks? What will African countries do to benefit from it and avoid its downside risks? Is there any good reason to fear globalisation? These are amongst the questions that this thesis attempts to analyse.
METHODOLOGY

This study was carried out using the following methods:

a. Lectures and class discussions

b. Library research in books and journals

c. Electronic media reviews

The study heavily depended on extensive and intensive analysis of secondary sources of information including book reviews, journals, newspapers and websites that contain academic and research information on globalization. Presentations in class and real experiences observed in Africa and Kenya in particular were also incorporated. The cited references are shown on page 79 while a larger bibliography also consulted is on page 82. Notwithstanding the importance of other aspects of globalization, for purposes of this dissertation, I decided to analyze how this phenomenon has affected the economy, education and the information communications technology in Africa with Kenya as the case study.

These three aspects of life impact literally on everybody today. All are affected by the economic conditions around them. Education, be it formal or informal affects our lives on day-to-day basis while new technology is revolutionizing peoples’ lives tremendously, through electronic learning, electronic business, electronic commerce, mobile telephones, local and international radio and television communications and so on. Globalization is affecting these three aspects of life much more than ever before, thus the reason why I decided to analyze them. Religion, culture, local and international migrations, war and conflicts, sports,
environmental conditions, tourism etc are other important aspects of globalization but for purposes of this thesis, I shall cover only the three mentioned above.

To comprehend how globalisation is impacting on the three selected themes, it is useful to examine what it is and what it is not, what caused it, and the effects it has had on Africa since 1990's in the areas of economy, education and information communications technology (ICT). Placing my discussion in this context, from the Kenyan perspective, will hopefully make it easier to identify the benefits and the risks of the phenomenon and, in turn, determine the correct policy response.
CHAPTER 2

GLOBALISATION AND AFRICA: THEORETICAL FRAMEWORK.

Most countries are struggling with the challenges of economic and financial
globalisation and with the neo-liberal policies that are prescribed for integrating
them with the global economy and becoming more competitive. Chief among
these prescriptions have been the downsizing of the public sector and the
adoption of fiscal, legal and labour policies that are favourable to and capable of
attracting foreign direct investment. The former is supposed to make
governments more efficient while the latter is designed to remove barriers to
economic growth and enterprise. The downsizing of government generally
reduces bureaucratic inefficiencies while the privatisation of public services can
help reduce budget deficits and public debt both of which weigh heavily on the
available government capital. The liberal policies have served in many countries
as an incentive to attract and mobilise foreign and domestic investments but
there is no assurance that equitable distribution of the benefits of economic
growth between nations and within nations will be achieved through the proposed
liberalised economies.

Globalisation is the result of the expansion, diversification and deepening of trade
and financial links between countries. It is the integration of economies
throughout the world through trade, financial flows, exchange of information and
technology, and the movement of people. The extent of the trend towards
integration is clearly reflected in the rising importance of world trade and capital flows in the world economy. An increasingly large share of world Gross Domestic Product is generated through activities linked directly or indirectly to international trade. Globalisation has brought about phenomenal growth in cross-border financial flows, particularly in the form of private equity and portfolio investment, compared with the past. In addition, the revolution in communication, transportation, technology and the much improved availability of information have allowed individuals and organisations to base their economic choices more on the quality of the economic environment in different countries. As a result, economic success in today's world is less a question of relative resource endowments or geographical location than it used to be in the past.

It is now more a question of the market perception on the orientation and predictability of economic policy. This reflects above all the success of multilateral tariff reduction and trade liberalization efforts. The International Monetary Fund (IMF) has played a key role in encouraging current account convertibility as a basis for the expansion of world trade, and more than two thirds of the Fund's member states have committed themselves to this principle. Also, economic thought has evolved over time towards the general acceptance of the fact that outward-oriented and open economies are more successful than closed inward-looking ones. Consequently many countries all over the world, including African countries, although unwillingly have liberalized their exchange and trade regimes in the conviction that this is indeed the best approach for
growth and development. Moreover, there is a deeper commitment of national authorities throughout the world to good macroeconomic policies, and to creating a more stable environment for investment and the expansion of economic activity. With the increasing liberalization of financial markets and their growing sophistication, capital markets have become integrated, and capital flows are now largely driven by consideration of risks and returns. The question of what policies are needed for a country to benefit from globalisation has preoccupied economic thinking in recent years. According to Zeleza Paul “success is closely linked to a combination of policies with four main objectives:

i. Achieving and preserving macroeconomic stability.

ii. Promoting openness to trade and capital flows.

iii. Limiting government intervention to areas of genuine market failure.

iv. Provision of the necessary social and economic infrastructure” (Paul Zeleza 2003, p65)

No one set of policies is a sufficient condition for success. Experience in many African countries show that poor policies in one area can obstruct progress, even if policies in other areas are good. The above four objectives of policies complement and reinforce each other through a number of considerations:-

Macroeconomic stability embodied in low inflation, appropriate real exchange rates and a prudent fiscal management.
This stability is essential for expanding domestic activity and is a precondition for benefiting from and sustaining private capital flows. Openness in the pursuit of policies to rationalize and liberalize the exchange and trade regimes is vital in international competition. It forces the economy to fully exploit its comparative advantage through trade and business. The primary role of the government should be supervisory and the creation of an enabling environment that encourages foreign and domestic investment and a solid infrastructure to support an expanding economy. The government must implement policies that eliminate the structural weakness that would be exposed by the heightened international competition. Not surprisingly, these elements have been central to the policy discussions between the International Monetary Fund and its member states the latter of whom do not necessarily agree with IMF.

In order to understand the significance of globalisation in the African context, there are some premises that would help to focus the debate more realistically. The first premise is that it is important to understand that today's globalisation is actually the fourth stage of outside penetration into Africa by forces which have negative social consequences for the development of Africa. This outside penetration has occurred over the past five hundred years in a variety of forms. The first penetration was the period of slavery, during which the continent's most precious resources, able-bodied African women and men, were stolen away by global traders, to work for the Arabs, Europeans and North
American countries. Estimates vary from two to ten million slaves extracted from the continent, with disastrous economic, social and psychological effects to them and those left behind.

The industrial progress of United States during the 18th and 19th centuries directly depended on agricultural progress built unjustly and inhumanly on the backs and sweat of African slaves who toiled in their farms. The second stage was the period of colonialism when British, French, Belgium, Portuguese, Spanish, Italian and German interests dictated how the African continent boundaries were drawn, transportation and communication lines established, agricultural, indigenous forest and mineral resources exploited and indigenous religious and cultural patterns destroyed. Whatever minimal benefits might have come to Africans because of colonialism were only coincidental but were far outweighed by the many negative consequences of economic exploitation, environmental degradation, social dependencies and total brain-washing of the African. Indeed many of today's ethnic conflicts, which attract international attention and intervention trace their origins to colonial trickery.

The third stage has been described as neo-colonialism where political pressures and economic supremacy aimed at maintaining or acquiring dominance are subtly exerted on the developing countries. The independence struggle begun in the 1950's may have brought African government rule to the many nations of the continent but it did not break the ties that bound Africa's future to outside
influences. The grooming and abating comprador class ensured continuity of colonial linkages and exploitation.

Globalisation, the fourth premise, should, hopefully, reinforce the interdependence between different countries and regions. It should deepen the partnership between the advanced countries and the rest of the world. To support this partnership in a mutually beneficial way, the advanced countries should help to further open their markets to the products and services in which the African countries gains a comparative advantage. In addition, the reform efforts of the African countries will need to continue to be supported through adequate financing on concessional terms. In this regard, the IMF has put the Enhanced Structural Adjustment Facility (ESAF), the concessional lending facility, on a permanent footing, so that it can continue to support reform efforts of the poorer African countries. Moreover, the Fund and the World Bank have recently begun implementing the framework for action to resolve the external debt problems of Heavily Indebted Poor Countries (HIPC), including their large multilateral debts. Three African countries—Burkina Faso, Ivory Coast and Uganda were among the first countries to be considered under this initiative.

The challenge facing African countries is to design public policies to maximize the potential benefits from globalisation, and to minimize its negative risks such as economic destabilization, dumping, marginalization etc. None of these policies is new since most African countries have been implementing them for some time.
In particular, Sub-Saharan Africa has made substantial progress toward macroeconomic stability as the following efforts underscore:

- There has been continued improvement in overall growth performance.
- There has been some success in bringing down inflation whereby, many countries have already achieved single digit inflation rates.
- Many countries have continued to reduce their internal and external debt balances.
- African governments have made considerable strides in opening their economies to world trade.

In fact, many countries have moved ahead with trade and exchange liberalization eliminating multiple exchange rates and non-tariff barriers, and also lowering the degree of tariff protection. A recent qualitative study by the African Department of the IMF indicates that "the number of countries in Sub-Saharan Africa with a restrictive exchange regime has declined considerably" (Kohler Horst 2003, http://www.imf.org/external/np/speeches/2003/051503.htm). The restructuring of many African economies is also gaining momentum. With the current global persuasion for democratisation throughout the continent, government intervention in economic activities is on the decline. Administrative price controls are being reduced and agricultural marketing has been widely liberalized. The process of restructuring and privatizing state enterprises has been underway for sometime in most countries, though with varying speed and degrees of success.
It is not lost on observers in Kenya to see the dilly dallying tactics of the Kenya government in privatising the Telkom Kenya parastatal. "In spite of the green light given recently to the Kenya government's Poverty Reduction Strategy Paper, the IMF is still unhappy on some points. The government decision to finance the re-launch of the Kenya Meat Commission and the systematic putting back of the privatisation of the large state corporations still constitute major factors of discontent for the World Bank and the IMF. Originally planned for this fiscal year (2003/2004), the privatisation of Telkom Kenya, the Postal Corporation of Kenya, and the Kenya Commercial Bank have been put back by the Kenyan government because it wanted to adopt a global law that would ensure the interest of the Kenyan public in the process" (Kenya: IMF never satisfied in The Indian Ocean Newsletter, No. 1091, 5th June 2004, p6).

Finally, fiscal reform is gaining ground whereby African countries are taking firm steps to rationalize their tax systems, to reduce exemptions and to enhance administrative efficiency. At the same time, they are also reorienting expenditures away from wasteful spending towards improved public investment and spending on key social services, especially health and education. These two expenses should be seen as national investment on the people because healthy educated populations are assets to a country's growth and productivity. It is essential to put the right policies in position for globalisation to have any meaning in a country. While the continent is clearly on the right track, there are still some aspects
where there is need to achieve greater progress in order to speed up their participation in globalisation. Examples of these aspects are:

**Maintaining macroeconomic stability and accelerating structural reform**

Emphasis should be to maintain economic stability and to reinforce the implementation of structural policies that will make the economies more flexible, encourage diversification, and reduce vulnerability to exogenous shocks. These include further reforms in the areas of public enterprise, the labour markets, and the trade regimes. Governments must ensure that public services like transportation networks, electricity, water, telecommunications, health services and education are provided in a reliable and cost-effective way.

**Economic Security**

Establishing the right framework for economic activity addresses the second requirement of policy that is removing the sense of uncertainty that still plagues economic decision-making in most of Africa. The direction and orientation of future economic policy must be beyond doubt. This requires the creation of a strong national capacity for policy formulation, implementation and monitoring. Moreover, the transparency, predictability and impartiality of the regulatory and legal systems must be guaranteed. This goes well beyond the respect of private property rights and the enforcement of commercial contracts. It also involves the elimination of arbitrariness, special privileges, and ad-hoc exemptions, even where these are intended to encourage investment.
Reforming financial sectors

An open and liberal system of capital movements is beneficial to economy. Rising capital flows place additional burdens on banking regulations and supervision and require more flexible financial structures. This aspect of globalisation confronts developing countries with a new challenge, i.e. to accelerate the development and liberalization of their financial markets, and to enhance the ability of their financial institutions to respond to the changing international environment. Much remains to be done to reform and strengthen Africa’s financial systems, many of which are weak and poorly managed.

Good governance

National authorities should spare no effort to tackle corruption, mismanagement and inefficiency, and to enhance accountability in government. This means reducing the scope of distortionary activities, eliminating wasteful or unproductive uses of public funds and providing the necessary domestic security. Many African countries will also have to undertake a comprehensive reform of the civil service, aimed at reducing its bloated size where necessary, while enhancing its efficiency. Governments must create confidence in their role as valued and trusted partners of private economic agents. A country like Kenya has had a negative growth rate over a number of years in the 1990’s mainly because of poor governance, both economic and political, corruption and mismanagement of public wealth.
Partnership with civil society

African governments will need to actively encourage the participation of civil society in the debate on economic policy, and to seek the broad support of the civil population for the adjustment efforts. In this direction, governments will need to pursue a more active information policy, to explain the objectives of policies and solicit the input of those whom the policies are intended to benefit.

Regional integration.

With closer economic integration, each country has an interest in ensuring that appropriate policies are followed in its partner countries. This could be achieved by coordinating the relevant national policies within a regional context. Throughout the continent, African governments are coming together to coordinate components of their policies and virtually all countries are now members of regional organizations such as The East African Co-operation, Common Market for Eastern and Southern Africa (COMESA), Southern African Development Coordination Conference (SADCC), Economic Community of West African States (ECOWAS), Intergovernmental Authority on Development (IGAD), The New partnership for Africa's Development (NEPAD), The African Union and The Africa Peer Review Mechanism (APRM). Efficient regional co-operation would allow the economies of Africa to overcome the disadvantages of their relatively small size and, by opening access to larger markets, to realize economies of scale. The obligations of membership in some of these organizations also make it easier for each individual country to achieve further progress in regulatory and judicial reform, to rationalize payments facilities, to
relax restrictions on capital transactions and investment flows and to develop mutual economic infrastructure. Enhancing trade links among themselves naturally strengthens their ability to participate in trade on a global scale and could lead towards further progress in the direction of non-discriminatory multilateral trade liberalization.

The challenge for the future will be to ensure that these regional organizations are perceived as effective vehicles for the integration of African countries into the world economy providing mutual support to their members in their reform efforts. They should not be considered as defensive/protective mechanisms against globalisation but as vehicles to open up economies and achieve meaningful and useful economic development within the specific region. Common regional objectives should be set in terms of international best practices. The regional organizations should seek to push through reforms in the areas of the legal and regulatory frameworks, financial sector restructuring, labour and investment code reform, exchange and trade liberalization that seek to reach international standards as quickly as possible.

The pace of progress should be the concern of the majority, not what is comfortable for the slowest members. Economists today agree that an outward-oriented development strategy is essential for achieving the sustained economic growth needed to raise the living standards of the people. It is difficult to find evidence of a single country that has significantly raised living standards for its
people, without sharply improving its trade and investment performance with the outside world. There is also a large body of evidence that more open economies grow faster than closed ones and that faster growth is necessary although not sufficient, to reduce poverty. The countries that have done best in integrating their economies into the global trade system are those that have pursued trade in a carefully phased manner and in the context of a comparative developed framework. In other words, just opening up the trade sector is not the only answer. Due attention must be paid to well-designed reforms. Such reforms essential for establishing macroeconomic stability and rekindling growth, include removing distortion in exchange rate system, opening up trade and payments systems, removing price controls, liberalization of production and marketing systems.

Many African countries have already succeeded with these reforms or are going on with their implementation. Other reforms that would make countries reap the benefits of globalisation include reforming the financial sector, privatisation of state enterprises, improving the quality and delivery of social services like education and health, restructuring the role of the state, and establishing and securing good governance practices (including transparency, democratisation and accountability). After all, without decent health care, better education and adequate infrastructure, it is extremely difficult to take better advantage of trading opportunities. Uganda is an excellent case in point. It moved from a highly restrictive trade regime in 1985 to an open trade regime by the late 1990s, first
eliminating non-tariff barriers, then lowered customs duties. The latter was facilitated by key reforms in the fiscal and financial sectors, based partly on substantial IMF technical assistance. Uganda also removed most price restrictions in agriculture, eliminated restrictive marketing boards, upgraded infrastructure, and diversified exports, and it is improving social policies especially the launching of universal primary education. As a result, from "1992-99 Uganda’s exports grew by an annual 16 percent, supporting GDP growth of 7% per year, the country’s strongest growth performance record" (Amutabi Maurice N 2000, p269). Kenya seems to be following in the same direction through its provision of free primary education since the year 2003 and the planned free health services for its peoples.

Developing countries however still face trade barriers today. It would help a lot if the industrial countries practiced what they preached and opened up their own markets, participating in areas where developing countries have a clear and demonstrated comparative advantage (e.g. agriculture, processed foods, textiles, clothing and light manufactures). It is estimated that a reduction in trade barriers by 50 percent globally, would yield welfare gains on the order of $400 billion annually for the global economy with developing countries capturing one-third of these gains. “That is why developing countries should push for a new global trade regime. In the meantime, the IMF supports calls for the poorest countries to have duty and quota-free access to industrial countries markets. It also supports

**Deregulating and privatisation**

Deregulation and privatisation are other facets of economics that need attention as regards globalisation. Often privatisation is undertaken to change the role of the state from a producer to a regulator and in the process elevate the roles of private initiative, creativity and market forces. The motivation can be budgetary (raising revenue and reducing pressure for subsidising poor performers) and non budgetary (economic efficiency gains, promoting investment, developing domestic capital markets and combating corruption). To be effective, however, the above must be preceded by adequate capacity building and the establishing of an appropriate regulator framework under the rule of law. This pertains particularly to the privatisation of strategic or core public enterprises, such as utilities, transport and energy enterprises, all of which tend to be natural monopolies of governments in Africa.

A good example is the long delayed privatisation of Kenya’s Telcoms that the government has not been very comfortable at disposing. Governments should ensure public support and diffuse ownership by creating special incentives to allow workers to acquire and hold shares in the firms that are sold. In the 1990s many African governments took privatisation a step further by greatly enhancing the transparency of the process and strengthening the government’s regulatory framework. The emphasis has been on introducing competition, an approach that
is neither pro-business nor pro-customer, but pro-market. Privatisation has paid off in terms of better services, investment flows and efficiency. Keeping markets open and investing in people hold the key to unlocking future prosperity for all in our increasingly global world. African countries in particular must continue to resist temptations to turn inwards, or the gap between rich and poor countries will widen further, leaving many countries behind.

**Kenya and the global economy**

As with other African countries, Kenya must position itself to meet the challenges and take opportunities of globalisation. The challenges remain the same as at independence 41 years ago: nation building and eradication of poverty in its many dimensions. To eradicate poverty, the country must attain sustained growth with equity. The point of departure in addressing these challenges is to take stock of our position. As we are all aware, the situation is difficult. Poverty is high, and development indices, including life expectancy, child mortality, nutrition status and education levels have deteriorated. Growth of the economy in the last couple of years has come to a halt, and per capita incomes fallen with public institutions being rendered dysfunctional.

As a nation, we should go back to the basics of nation building: What sort of nation and society do we want? What is our vision for Kenya? What is our common future? The logical starting point is the constitution, which must fully take into account the yearnings, the fears, and the aspirations of Kenyans. On the economic front, we as a nation must device sound trade policies that will
enable Kenya to participate constructively in the global economy. And, as shown earlier, good trade policy must be rooted in sound development policies that in turn, must make strategic choices of where we want to be in the future. Agriculture, rural development, development of small-scale enterprises and human development must be at the forefront of such a strategy, which must also recognize the primacy of industrialization as a vehicle for long term growth.

Successful industrialization will call for provision of efficient infrastructure and supporting institutions and policies. It also takes into account the reality of globalisation and the rules of games governing it. As such, it must be efficient and capable of competing in the world arena. There must be a clear and agreed definition of the role of the state. At independence, the government and allied institutions were considered the appropriate channels to both political and economic challenges. However, lack of competition lowered economic efficiency and, with it growth. Today, this model is clearly untenable.

The state must also be transparent. In Kenya, we have fared badly on this score. Corruption has been widespread and deeply rooted. The newly installed National Rainbow Coalition (NARC) government has been trying to fight corruption but there seems to be very strong forces in favour of the vice. There must be a change in the mind-set of Kenyans, including the government itself. At independence, Kenya took pride on self-reliance. The nation's motto then was *Uhuru na Kazi*, freedom and work. Over time there has been erosion of the
Uhuru na Kazi ethic. A sense of entitlement has crept in and citizens feel that they are entitled to get something from the government without realizing that what the government claims to own must come from them in the first place.

"The noble institution of Harambee, initially a very powerful vehicle for community empowerment and mobilization, was subverted during the long KANU regime into a mechanism for political aggrandizement and rent seeking" (Harry Mule 2001, p2). Externally, the mentality of aid dependency has crept into the Kenyan society that is not justified. The mind-set just described is clearly untenable in a globalized economy. On the aid front, donors are now increasingly working as partners with those countries that receive aid and they expect their development partners to formulate their strategies, programs and projects, and to demonstrate the capacity to implement them. Those countries, which do not demonstrate the commitment and capacity to develop, will be allowed to fail. For Kenya, we need to go back to the drawing board. We need to intensify our efforts on nation building, which include good governance and formulation and implementation of sound development policies. We need to build a strong and integrated national economy. It is only in this way that Kenya will participate meaningfully in the global economy.

When Tom Mboya then Kenya’s Minister of Economic Development, drew up the country’s first development plan in 1964, and formulated the Sessional Paper on African socialism in 1965, the country was just emerging from the throes of
colonialism and protracted civil strife. The economy was weak, unemployment was high, and the government budget was under stress. There were raging debates on the development ideology the country should pursue. But consensus was developed, development strategies were put in place and implemented, and the country enjoyed sustained growth at almost 7 percent annually for almost a decade. We can do a repeat now especially after the bitter lessons learned during the 24 years of KANU’s totalitarian rule that started very democratically in 1978 till the coup attempt of 1982, peaking in mid 1990’s till the elections of December 2002 and change of government.
CHAPTER 3

GLOBALISATION AND AFRICA’S ECONOMIC DEVELOPMENT

Economic globalization is a historical process, the result of human innovation and technological progress. It refers to the increasing integration of economies around the world through trade and financial flows. Sometimes it also refers to the movement of people (labor) and knowledge (technology) across international borders. The term has come into common usage since the late 1980s, reflecting technological advances that have made it easier and quicker to complete international transactions, trade and financial flows. It refers to an extension beyond national borders of the same market forces that have operated for centuries at all levels of human economic activity, village markets, urban industries, or financial centers.

Markets promote efficiency through competition and the division of labor, the specialization that allows people and economies to focus on what they do best. Global and regional markets offer greater opportunity for people to tap into more and larger markets around the world. It means that they can have access to more capital flows, technology, cheaper imports (not necessarily of higher quality), and larger export markets. But markets do not necessarily ensure that the benefits of increased efficiency are shared by all. Countries must be prepared to embrace
the policies needed, and in the case of the developing countries, they may need the support of the international community as they do so.

**Unparalleled growth**

As said above, globalization is not a new phenomenon. Some analysts have argued that the world economy was just as globalised 100 years ago as it is today. The difference is that today commerce and financial services are far more sophisticated and deeply integrated than they were in those days. The most striking aspect of this has been the integration of financial markets made possible by modern electronic communication. The 20\textsuperscript{th} century saw unparalleled economic growth, with global per capita GDP increasing almost five-fold in many countries. But this growth was not steady—the strongest expansion came during the reconstruction second half of the century, a period of rapid trade expansion accompanied by trade and financial liberalization.

One can break the century into four periods. In the period between the two wars, the world turned its back on internationalism (or globalization as we now call it) and countries retreated into closed economies, protectionism and pervasive capital controls. This was a major factor in the devastation of this period, when per capita income growth fell to less than 1 percent during 1913-1950. For the rest of the century, even though population grew at an unprecedented pace, per capita income growth was over 2 percent, the fastest pace of all coming during the post-World War boom in the industrial countries. The story of the 20\textsuperscript{th} century was of remarkable average income growth, but it is also obvious that the
progress was not evenly distributed. The gaps between rich and poor countries, and rich and poor people within countries, have grown. "The richest quarter of the world’s population saw its per capita GDP increase nearly six-fold during the century, while the poorest quarter experienced less than a three-fold increase. Income inequality has clearly increased" (Animat Eduardo 2000, p4).

**Developing countries and integration**

Globalization means that world trade and financial markets are becoming more integrated. But just how far have developing countries been involved in this integration? Their experience in catching up with the advanced economies has been mixed. In some Asian countries per capita incomes have been moving quickly toward levels similar to those in the industrial countries since 1970 while a large number of developing countries have made only slow progress or have lost ground. In particular, per capita incomes in Africa have declined relative to the industrial countries and in some countries have declined absolutely. The countries catching up are those where trade liberalization across the borders has grown strongly. The following aspects of globalization are hoped to help African countries to come up like the Asian tigers.

**Trade**

Developing countries as a whole have increased their share of world trade in spite of the great variations among the major regions. As said above, the newly industrialized economies of Asia have done well, while Africa as a whole has
fared poorly. The composition of what countries export is very important. The strongest rise by far has been in the export of manufactured goods. The share of primary commodities in world exports such as food and raw materials that are often produced by the poorest countries should not be allowed to decline. At the same time international trade practice must guard against the tempting dumping phenomenon prevalent world over.

We all know how much dumped mitumba clothes flooded the Kenyan market disabling the clothes and textiles industry in this country. This lead to total closure of four major textile industries with colossal loss of capital in machinery and buildings. Lost jobs and their multiplier effect coupled by lost foreign exchange and local revenue impacted negatively to Kenya’s expectant economy. These firms included Rivatex, Raymond, Ken Knit and Kicomi. The dumped large volumes of second hand shoes almost brought down the leather and hides/shoes industry too. Hardest hit was Kenya’s household BATA shoe Company. Today with free market liberalized Kenyan economy, we witness new brands daily of electrical and electronic machines and gadgets, drugs, genetically modified foods, juices and so on. In addition to us not having the mechanisms to ascertain the quality of these commodities, Kenya Bureau of Standards notwithstanding, the imports far outweigh the exports from this country thus draining the little foreign exchange that we have.
Capital movements
Many people associate globalization with sharply increased private capital flows to developing countries. Direct foreign investment has become the most important type of capital flow into the developing countries. They play an important role in rejuvenating the economies of the developing countries. Both portfolio investment and bank credit rose but they have been quite volatile.

Movement of people
Workers move from one country to another partly to find better employment opportunities. Most migration occurs between developing countries but the flow of migrants to advanced economies is likely to provide a means through which global wages converge. There is also the potential for skills to be transferred back to the developing countries and for wages in those countries to rise. At the same time because of the easier mechanisms of traveling across borders there is a heavier migration to developed countries of highly qualified people looking for better terms of employment.

These people who are educated through the meagre resources of the developing countries are going to benefit the developed nations more. Their countries are continually left with less trained people. The case of the hundreds of doctors, nurses and university lecturers who have left Kenya in search of jobs is very worrying indeed in what is known as "Brain Drain". Such are the disadvantages of globalization. "Twenty million African workers live and work outside of their
countries of origin and by 2015 one out of ten African workers will be living and working outside his or her country” (WHO, 2003, p9).

Globalization and poverty/inequality

“During the 20th century, global average per capita income rose strongly, but with considerable variation among countries. It is clear that the income gap between rich and poor countries has been widening for many decades” (World Economic Outlook 2000, p125). This reference source reaches the conclusion that output per capita has risen appreciably but the distribution of income among countries has become more unequal than at the beginning of the century. The document indicates that broader measures of social welfare attributes show that poorer countries have made considerable economic progress. For instance, some low-income countries, e.g. Sri Lanka, have quite impressive social indicators using the UN’s Human Development Indicators (HDI), which take education and life expectancy into account, whereby the picture that emerges is quite different from that suggested by the income data alone. Medical advances and improved living standards have raised life expectancy.

Even if the HDI gap has narrowed, far too many people are losing ground. Life expectancy may have increased in some countries but the quality of life for many has not improved, with many still in abject poverty. And the spread of AIDS in Africa in the past decade is reducing life expectancy in many countries. This has brought new urgency to policies specifically designed to alleviate poverty. Countries with a strong growth record, pursuing the right policies, can
expect to see a sustained reduction in poverty, since recent evidence suggests that there exists at least a one-to-one relationship between growth and poverty reduction. And if strongly pro-poor policies are pursued then there is a better chance that growth will be amplified into more rapid poverty reduction. This is one compelling reason for all economic policy makers, including the IMF, to address the need of poverty reduction.

Growth in living standards springs from the accumulation of physical capital (investment) and human capital (labor), and through advances in technology. Many factors can help or hinder these processes. The experience of the countries that have increased output most rapidly shows the importance of creating conditions that are conducive to long-run per capita income growth. Economic stability, institution building, and structural reform are at least as important for long-term development as financial transfers. What matters is the whole package of policies, financial and technical assistance and debt relief if necessary.

Components of such a package include the macroeconomic stability to create the right conditions for investment and saving, outward oriented policies to promote efficiency through increased trade and investment, structural reform to encourage domestic competition, strong state institutions and an effective government to foster good governance, education, training, research and development to promote productivity, external debt management to ensure
adequate resources for sustainable development. All these policies should be focused on country-owned strategies to reduce poverty by promoting pro-poor policies that are properly budgeted for, including health, education, and strong social safety nets. A participatory approach, including consultation with civil society, will add greatly to their chances of success. Advanced economies can make a vital contribution to the low-income countries' efforts to integrate into the global economy by:

* Promoting trade through providing unrestricted market access for all exports from the poor countries. This should help them move beyond specialization on primary commodities to producing processed goods for export.

* Encouraging flows of private capital to the lower-income countries, particularly foreign direct investment, with its twin benefits of steady financial flows and technology transfer.

* Supplementing more debt relief with an increased level of new financial support without claiming presence of aid fatigue. The IMF supports reform in the poorest countries through its Poverty Reduction and Growth Facility (PRGF). It also contributes to debt relief through the initiative for the heavily indebted poor countries (HIPC), but they have the unilateral power to decide which countries deserve to benefit from these initiatives.

**Globalization and labour**

Economies are continually evolving and globalization is one among several other continuing trends. As industrial economies mature, they are becoming more service-oriented to meet the changing demands of their populations with the shift
toward more highly skilled jobs. Globalization is making this process easier and less costly to the economy as a whole by bringing the benefits of capital flows, technological innovations, and lower import prices. Economic growth, employment and living standards are all higher than they would be in a closed economy. But the gains are typically distributed unevenly among groups within countries, and some groups may lose out. For instance, workers in declining older industries may not be able to make an easy transition to new industries. Industries are also relocating to countries that have cheap labor costs. This affects both the receiving country as well as the donating one. This contention is however strongly defended by Panagariya, Arvind, 2004, p147 in his book entitled Why globalization works when he says that “... multinationals pay their workers more and treat them better than do local companies”. Among other data, he cites a study of 20,000 plants in Indonesia showing that the average wage paid to workers in foreign owned plants in 1996 was 50% percent higher than in private domestic plants. Another prominent concern about free trade is that capital flows within multinational corporations have the effect of lowering wages in rich countries. Anti globalization advocates also argue that the ability of such firms to move operations abroad reduces the bargaining power of workers in developed countries but increased volumes of capital flows both ways, may help labour productivity because they stimulate technological improvements both ways.
What is the appropriate policy response? I think that governments should protect particular groups, like the low-paid workers or old industries, by regulating trade or capital flow. Such an approach might help some in the short-term, but it might negate the liberalization/transparency policies desired for the success of globalization. Rather, governments should pursue policies that encourage integration into the global economy while putting in place measures to help those adversely affected by the changes. The economy as a whole will prosper more from policies that embrace globalization by promoting an open economy, and, at the same time, squarely address the need to ensure that benefits are widely distributed. Government policy should focus on education and vocational training, to make sure that workers have the opportunity to acquire the right skills in dynamic changing economies, and well-targeted social safety nets to assist the people who are displaced.

**Globalization and sovereignty**

Studies carried out by many scholars indicate that increased integration, particularly in the financial sphere make it more difficult for governments to adversely control economic activity, for instance by limiting governments’ choices of tax rates and tax systems, or their freedom of action on monetary or exchange rate policies. As a consequence countries achieve sustainable growth, low inflation and social progress. Unfettered globalization contributes to these objectives in the long term. In the short-term however volatile capital flows can threaten macroeconomic stability and some leaders might find this threatening to the state’s sovereignty. Therefore, in a world of integrated financial markets,
countries will find it increasingly risky to follow policies that do not promote financial stability. This discipline also applies to the private sector, which will find it more difficult to implement wage increases and price mark-ups that would make the country concerned become uncompetitive. Sometimes investors particularly short-term investors get too optimistic of a country's prospects that capital inflows will continue even when economic policies have become too relaxed. This exposes the country to the risk that when perceptions change, there may be a sudden withdrawal of capital from the country with disastrous effects of the international financial architecture. In this regard, some are concerned that globalization leads to the abolition of rules or constraints in business activities.

There has been a decline in the power of national governments to direct and influence their economies especially with regard to macroeconomic management. Shifts in economic activity for example in Japan or the US are felt in countries all over the world. The internationalization of financial markets, of technology and some manufacturing and services bring with them a new set of limitations on the freedom of action of the developing nations such as those in Africa. However, on the contrary, one of the key goals of the work on the international financial architecture is to develop standards and codes that are based on internationally accepted principles that can be implemented in many different national settings without causing unnecessary fear to the leaders.
Countries however should be fully prepared to withstand the potential shocks that could come through the international markets. Macroeconomic stability, financial soundness, open economies, transparency, and good governance are all essential for countries participating in the global markets. At the international level, investors should appraise risks adequately. Regulators and supervisors in the major financial centers should also monitor developments closely. A lot of information should be generated, and disseminated to the stakeholders so that economic stability is maintained globally. "The international community is determined to strengthen the architecture of the international monetary and financial system whose broad aim is for markets to operate with more transparency, equity, and efficiency. The IMF has a central role in this process" (McNamara 2001, p9)

**Globalisation and international organizations**

Multinationals can impact upon communities in very diverse ways. They establish and/or contract operations i.e. production, service and sales in countries and regions where they can exploit cheaper labour and resources. While this can mean additional wealth flowing into those areas, this form of globalization entails significant inequalities. It can also mean large-scale unemployment in those communities where those industries were previously located. The salaries paid in the new settings are usually minimal compared to how much such workers would be paid in the original country. Worker’s rights and working conditions are also usually poor. The multinationals constantly look for new or under-exploited markets. They increase sales often by trying to create new societal needs among
the different target groups. One example has been the development of the markets predominantly populated by children and young people. The child and youth market has become one of the most profitable and influential sectors. The young are not only prized because of their influence on adults, but they also have a high spending power.

National and international institutions, inevitably influenced by differences in culture, play an important role in the process of globalization. The IMF, the World Bank and WTO, were set up as part of an implicit bargain: that countries that opted to play by the rules of the international systems, would be helped both by the basic pro-growth designs of system, and by loans and other assistance when in need. That is one of the reasons why the IMF’s Managing Director, Horst Kohler, reaffirmed the role of the IMF as “to help the poorest member countries through the Poverty Reduction and Growth Facility (PRGF) whereby eligible countries gain access to debt relief under the enhanced Heavily Indebted Poor Countries (HIPC) initiative provided of course IMF can give assurance to its Executive Board that the debt relief would be used to fight poverty” (Kohler Horst 2003, http://www.imf.org/external/np/speeches/2003/051503.htm). That is also why IMF has been intensively engaged in seeking to improve the funding abilities of the Fund and the financial regulation of capital flows.
Let me reiterate that promoting growth and reducing poverty are best achieved by embracing the global economy, improving policies and strengthening institutions. This will be a difficult task, but one that can be accomplished, provided that policy makers in Africa and the international community as well are ready to do their part. Pessimists and those that do not want to embrace globalisation claim that Africa is predestined to endure low growth, because it is tropical making it suffer from diseases such as malaria, AIDS, poor soils and climate and many of its countries being landlocked.

The success of countries around the world that have managed to make serious inroads into poverty in Asia and elsewhere suggest that others including African countries, can do likewise. Indeed, some countries in Africa such as Botswana, Mozambique and Uganda have already shown that it is possible to sustain rapid growth, notwithstanding seemingly unfavourable conditions. In recent years, we have seen more and more countries adopt prudent, market-based economic policies, seeking integration into the world economy, and thus conducive to growth and poverty reduction, many of them with IMF and World Bank advice, support and goodwill. This strategy is beginning to show encouraging results and IMF is working closely with its colleagues in the World Bank to do everything they can to help strengthen and enhance results.

The World Trade Organization (WTO) is among the most powerful, and one of the strongest international bodies on earth and it is rapidly assuming the role of
global government. Even United States has ceded to its vast authority and powers. The WTO represents the rules-based regime of the policy of economic globalization and its central operating principal is that commercial interests should supersede all others. According to WTO any obstacles in the path of operations and expansion of global business enterprise must be subordinated. In practice these obstacles are usually policies or democratic processes that act on behalf of working people, labor rights, environmental protection, human rights, consumer rights, social justice, local culture, and national sovereignty.

Is Africa benefiting from globalization?

Rich countries are increasingly speaking of Africa as a load in the international community. To many, Africa is fast becoming a lost cause where AIDS, war, and corruption dominate. It is time to ask ourselves whether Africa is really getting as much as it should from globalization. In the 1960s, soon after gaining independence, Kenya had a similar GDP per capita as South Korea. Today, South Korea - with its $20,000 GDP per capita is one of the 'Asian Tigers', while Kenya is still characterized by poor infrastructure, high levels of poverty, corruption, illiteracy and underdevelopment. Something must be missing in most of Africa's political leadership. Some suggest that if Africa is lagging behind, it must be its fault. The current model of globalization however is based on rules that assure defeat for Africa no matter how hard it tries. The horrific inequalities however, both between and within nations, the poverty that encumbers the people, and the endless ethnic conflicts can, to an extent, be blamed on the incompetent African leaders. An example to illustrate this is found in the article
entitled *Kenya on the trail in the Africa confidential* vol. 45 no. 16 page 6 which states that "The European Union is postponing its decision on a 125 million euro (US$ 147 million) to Kenya budget support loan pending developments in the National Alliance Rainbow Coalition government's declared anti-corruption drive, particularly its success in the Anglo Leasing affair". The question to ask is when will African states grow and develop if they cannot stem hindrances that stop development funds coming from willing and friendly international partners? There are also other dynamics at work that create a country where the top 10 percent own almost 90% of the country's wealth. Some critics of globalization aver that a few success stories like lowering tariffs and eliminating import quotas to attract capital to new export industries, raised incomes, and a few created jobs, overlooks the adverse effects that result from globalization's free market processes and by the movement of multinational corporations. They also feel that multinational corporations relocate to developing countries because they are guaranteed of low production costs, large markets, and abundant natural resources.
CHAPTER 4

GLOBALISATION AND EDUCATION IN AFRICA

Probably there is no other aspect of life that has been affected by globalization more than education. The days when kingdoms, settlements or countries controlled the modern or traditional education practices are long gone. Modern life systems dictate that people learn about others, geography and history of others, science of creation, nature and so on. Self-sufficiency in education is also not possible for a single country and cross border traveling in search of educational opportunities has been going on especially in the second half of the last century. This search for education became even more pronounced at the dawn of independence in all African countries.

The newly independent states needed educated people to jump-start the economies and also to take over jobs left behind by the departing colonialists. Africans therefore left in droves to America, Europe, India and Russia for higher education. Those who had gone before 1960’s trickled back to be appointed into the jobs left vacant. Globalization therefore affected education tremendously way back from the last century. The second world war also influenced the rate at which many Africans went to other countries for education. Many of their parents had been exposed to developments in other countries when they were conscripted into war to fight for the colonizers. The sons and daughters of these returned soldiers took this early opportunity to get educated locally and overseas.
Internationalization of education and research has helped to open up countries to high levels of economy, trade, culture, religion and many other aspects of life. In most cases those countries that embraced globalization and complied with its tenets like accepting international specialists, exchanging research findings, devaluations, worker retrenchment, hosting international research institutions/fellows have benefited tremendously from foreign aid and other perks. As said elsewhere in this dissertation many interpret this as wearing away of the countries' sovereignty but many others still feel that beggars have no choice and it is poverty that drives African/developing countries into this situation.

However, to allow globalization to be the sole director of human beings and their natural environment including their education and purchasing power, would result in the demolition of society. Without peoples' protective covering of their cultural institutions, human beings would perish from exposure to vice, perversion, crime and starvation. Nature would be reduced to its elements, neighborhoods and landscapes defiled, rivers polluted, military safety jeopardized, the power to produce food and raw materials destroyed and total chaos would ensue" (Hoogveld Ankie, 2001, p126). A good example of such a disorderly situation has been prevailing in Somalia since 1990 when Siad Barre was overthrown and the people failed to organize a new political dispensation.

The nature and complexity of globalization makes any discussions about its impact on education to be very difficult and involving. The forces associated with
globalization have affected the way in which educators operate, and have altered people's experience of both formal and informal education. Many schools and colleges have become sites for economic gains and competition for larger student intakes driven by profit margin requirements. There are powerful currents running against honest professional work these days. Many education policy makers look to market solutions for most of the problems encountered in their daily work of educating the people. There are some important global issues that have continued to affect education both negatively as well as positively. These include:

- Commercialization and the corporate takeover of education.
- Threat to the autonomy of national educational systems.
- Changing technologies and orientations in education.

**Commercialization of education**

It is helpful to distinguish between the rise of the market needs and its impact on education, and globalization. Commercial concerns look constantly for new markets and areas of activity. In Kenya today market forces have made education, which should be a social service, to be so commercialized that the poor are not able to take their children to good well staffed, equipped and stocked schools because of the high costs involved. The best-trained teachers are to be found in the most expensive schools. Without apportioning blame it is quite unfair that this type of trend continues with successive governments watching. One of the immediate results will be social stratification and inequality
of society. For this market driven education system to hold required the reconfiguration of education so that it can be priced and sold. It also induces people to want to buy or acquire this new form of education and the transformation of the workforce from one working for collective aims with a service ethic to one working to produce profits for the owners of the schools and the capital.

What we have in Africa generally is a process of commercialization and many countries like Kenya have perfected this type of education system well in deed. The expansion of higher education in Kenya and restructuring of courses and programs so that they are easily marketed has been going on since the beginning of 1980’s. This unfortunately has been targeted to take care of quantity rather than quality of education. Students (even in universities) are too many in a class and making and marking of assignments has been affected adversely. There has been an increase in the use of part-time and distance learning programs (to target those already working). The introduction of student loans and course fees raised the direct cost placed on education and helped to change people’s orientation to higher education away from that of participants towards being consumers.

The massive increase in university enrolment is a direct impact of changing perceptions of the labor market both locally and at global level. The surge in student numbers has occurred because people understand that lack of a degree
disadvantages them in the labor market. Every university in Kenya is hosting its programs in colleges of tertiary level thus creating the impression that all Kenyans need university education or that college technical graduates are not needed by the country. Secondary school and tertiary college heads have continued to adopt the titles managers and reframing the problems of education as exercises in delivering the right outcomes.

The main role of the teacher-turned manager is to legitimize through mandated subject matter and educational practices a market-based conception and the learner as a consumer of information. The connotation and disposition of management brings to the mind the aspect of business in education. There has also been the strengthening of the business/market attitude in the education system. Schools have to compete for students in order to sustain and extend their capital base at times even admitting students who have not passed the national exams. This has meant that they have to market/advertise their activities and develop their own brands in order to compete with similar institutions offering similar programs. They have to sell themselves through advertisements including using names of the best examination performers in previous exams and also indicating the facilities available in their schools. Most Kenyan newspapers are frequently with overseas universities advertising themselves to recruit Kenyan students. Besides the quality of education in these universities not being guaranteed, a lot of valuable and scarce Kenyan money is siphoned out of the country through sending students overseas for higher education. The
Commission of Higher Education (CHE) graph below illustrates this point clearly.

"Kenya leads other African countries in sending its students to the US, with 7,097 students enrolled in American universities by 2002. The Commission for Higher Education says that a total of 2,903 Kenyans went abroad for further studies in 1995. The figure rose to 4,317 the following year, with the main destinations being America, Asia, Australia and Europe. In contrast, only 686 joined African universities during the period. Other countries like Australia attracted 659 students during that period, while Asia had 3,834 Kenyans in its universities. A total of 30,513 Kenyan students went to foreign universities between 1995 and 2001" (Commission for Higher Education 2004). Despite the frustrations that Kenyans go through while seeking student visas, the number of students entering American and European universities continues to rise every year. "The US remains the most popular destination for international students, with 582,996 enrolled.

The figure comprises 6.4 per cent of the 15.7 million students in US colleges and universities while only a meager 150,000 American students study overseas. The American Association of International Educators say foreign students bring directly to the economy about $12 billion annually in tuition and other fees, making education one of the largest service industries in America" (Commission for Higher Education, 2004). This of course excludes other economic benefits like research, teaching and cheap labor which benefits the US economy. These immigrants into the US enrich the cultural diversity of that country too. "Kenya
spends Ksh16 billion ($200 million) annually in school and college fees for its students abroad" (Commission for Higher Education, 2004). If this amount could be ploughed into the local universities, there would be a big impact on the development of higher education in terms of infrastructure and even in general economy of the country.

Kenyan Students Cleared for Overseas Education

![Graph showing the number of students cleared for overseas education from 1995 to 2001.](image)

Source: Commission for Higher Education

The graph above shows how education has become a commercial enterprise for Kenyan students.
Students and their parents have become consumers of the commodity known as education that is quickly ceasing to be a social service into a sellable commercial product. The result has been a drive towards the achievement of expected outcomes and the adoption of standardized teaching models. The emphasis is less on community welfare and equity, but rather more on individual advancement and the need to satisfy the school owners. Today education resembles a private business rather than a societal service for the public good. Such marketization and commodification has led to significant privatization of education in many African countries. Woe unto those who are not able to buy this expensive commodity. Their children will not pass national and private examinations well and hence will not see the doors to a university. Yet exams are set by the state for all while facilities are not equitably distributed to all. As a consequence the disadvantaged will never get good jobs in the future. The economic global forces have therefore created a conflict of interest between schools' mandate to educate, and their moral and ethical duties to protect children from exploitation by the consumer culture. Turning education into a commodity, framing it in market terms, and encouraging the entry of commercial concerns into education could be seen as an expression of neo-liberal politics that the forces of globalization have pushed governments into adopting.

**Autonomy of national education systems**

As seen above, globalization has impacted upon those that have the role of educating children, the youth and adults. The question is to what extent this
education system is affected by globalization threatening the autonomy of national educational systems and the sovereignty of the nation state as the ultimate provider of education in a country. At the same time, how is globalization changing the fundamental conditions of an educational system founded on fitting into a community for the welfare of that community. National governments should not give in totally to globalization without regulating education systems through central direction, national curriculum, national examinations and funding.

**Choice of schools/institutions**

It has been possible to choose which schools to apply to at both primary and secondary levels. While much primary school application is local, a significant proportion of secondary school application is not. Due to the changed education system in Kenya (8-4-4), many able parents are sending their children for secondary education in other countries where the education is compatible with international systems. Other local schools have adopted international curricula and parents from the well-to-do families send their children to such schools. This has both severed the link between locality and schooling. A further degree of de-localization occurs when children reach university level. Many travel to other countries for university education which exposes these youth to other cultures and experiences that enriches them to come back home for work and develop their countries.
Apart from a few cases that are adversely affected by this alienation from home, generally many benefit from this form of globalization. To the above developments must be added changes in educational technology, especially the use of the internet and other computer challenges like the growth of distance learning. This allows people to study at home or at work. The new computer technology involve highly individualized forms of learning and lead to interaction with neighbors, agencies and groups thus allowing people from very different parts of the world to interact with each other across great physical distances. These technologies have made the world into one global village where people are able to exchange ideas and transact business in a fraction of seconds.

Economic, social and cultural changes mean that many now live in ‘knowledge’ or ‘informational societies’ (Scholte Jan Aart 2001, p19) that have strong individualizing tendencies and a requirement for permanent/continuous learning. Many adults take part in organized learning throughout their lifespan and actually the post-school system is populated by adults as well as by young people. Kenya even made history by having an old grandfather (Kimani Ng’ang’a Maruge, 84) enrolling in primary one class in 2003 to pursue education that he could not get in his youth. The computerized learning is highly individualized and often oriented to employer or consumer interests. Typical of these courses has been a substantial increase in activities such as short residential courses, study tours, self-help therapy manuals, management, electronic networks and self-
instructional videos. Again the forces of globalization can be seen in this growing trans-national corporate presence in education and learning.

It is time to recognize that the true tutors of our children are not schoolteachers or university professors but filmmakers, video producers, televisions, advertising executives and pop culture purveyors. As educational systems become more marketized, colleges, schools and non-formal education agencies seek to build relationships based more on viewing learners as customers rather than participants. The result of this incursion by commerce/globalisation, and the widespread seeping of managerialism, market-thinking and consumerism into the orientation of educators is a basic inability within schooling systems and agencies of informal education to critically address questions around globalization, branding and consumption.

Therefore, the perversion of education and the exploitation of learners that I have catalogued here is a matter of profound concern. We have witnessed a fundamental attack on the notion of public good, and upon more liberal ideas of education. Learning has increasingly been seen as a commodity or as an investment rather than as a way of exploring what might make for the good life for human development. Teachers’ and educators’ ability to ask critical questions about the world in which we live has been deeply compromised. The market ideologies they have assimilated, the direction of the curricula they are required to deliver, and the readiness of the colleges, schools and agencies in which they
operate to embrace corporate sponsorship and intervention have combined to degrade their work to such an extent as to question whether what they are engaged in can be rightfully called education. There is need to be able to do what is right rather than what is correct but this may not be achieved within societies and systems conditioned by globalization and neo-liberalism in which there are many asymmetrical relations of power.
CHAPTER 5

GLOBALISATION AND INFORMATION COMMUNICATIONS TECHNOLOGY (ICT) IN AFRICA

Globalization is manifested in different arenas such as communication, culture, politics, and economics. Perhaps the impact of globalization is most dramatically demonstrated in the arena of communications. The speed of communication and exchange, the complexity and size of the networks involved and the sheer volume of trade, interaction and risk give what we now call globalization. Globalization and new communication technologies have brought innumerable benefits to our society. These benefits have been economic, educational and cultural and they have bridged gaps that seemed insurmountable just a few years ago.

Since the end of the cold war in the early 1990’s, restrictions on international commerce and finance have faded away and deregulation and liberalization have boosted global trade, while the collapse of communism in the former Soviet Union has stimulated the growth of new, free-market economies and the cross-border movement of people, goods and capital. The number of internet users around the world has been rising by the day while the information technology industry has become a global wealth generator in which developed and developing countries alike have been benefiting. The assimilation of national economies into a single global system dominated by the performance of stock exchanges and capital markets extends beyond economics to the roots of
cultural and social identity. The fall of ideological barriers has been accompanied by economic homogenization and political and social fragmentation. In many parts of the world areas of economic prosperity coexist with others of marginalisation and poverty while in developing countries, traditional bonds of social cohesion have been weakened by the rapid pace of change. With increased economic interconnections has come deep-rooted political changes and poorer marginal countries have become even more dependent on activities in the developed economies such as the US. There has also been a shift of power away from the nation state towards multinational corporations such as Coca Cola, Sony, Shell PB and so on. Technological change and globalization of trade have provided opportunities for social advancement. The intensification of worldwide social relations link distant localities in such a way that local happenings are shaped by events occurring many miles away and vice versa.

The development of the internet, advances in telecommunications e.g. mobile telephony, and the explosion of international jet travel have resulted in the ability to communicate instantaneously with many parts of the world for trade, leisure and information. Many of the activities that previously involved face-to-face interaction or that were local, are now conducted across great distances. There has been a significant de-localization in social and economic exchanges. Banking and retailing for example have adopted new technologies that involve people in less face-to-face interaction for example the cash dispensers through the ATM computer machines. This ability to communicate widely and quickly has
also resulted in the spread of a wide variety of cultural forms and expressions. Another example is young people in Cape Town, Nairobi, or Lagos, listen to the same music as young people in New York, Hong Kong, or Tokyo. This is in spite of the content in many of the presentations being violent, immoral or pornographic. When we buy books from an internet supplier like Amazon, our communications pass through a large number of computers and routers and mostly travel thousands of miles. The computers taking our orders can be in a different continent and the books can be located somewhere else in the globe. The world today is much more joined together than before. It may look like it is made up of separate and sovereign individuals, firms, nations or cities but the reality is that we are one multiple network linked through the new information communications technology (ICT).

Information technologies are a key driver of globalization, opening up huge potential for greater efficiency through e-commerce, the internet and the instantaneous delivery of information anywhere in the world, at any time. They also provide greater access to news and knowledge, the two ingredients of innovation, and spread the free flow of information from all sources that authoritarian regimes cannot stop even if they wanted to. Technology and globalization therefore have assisted nations to achieve democracy and overpower dictatorial regimes that for decades controlled free expression of ideas and other freedoms. Technology and innovation cuts costs to the direct benefit of consumers. They have also created a wider basis for a global
knowledge-based economy. This is why information technologies and telecommunications are revolutionizing business practices, both within corporations and in their relations with suppliers and customers.

Computers have become a potent production tool. They are also vital information and communications tools. Information technologies are key to the ever faster flow of innovation which will determine the future of regions in the global economy. Consumers are better off too. Technological advances over the past 10 years, together with the policy of governments in all parts of the world to deregulate the telecommunications sector have increased drastically. The cost of some international telephone calls has also fallen by 90 percent compared with what it was 20 years ago. Major advances in communications and information technologies are creating valuable tools for enhancing the capacity of developing countries to integrate into the global economy and share in the benefits of globalization.

Information technologies are also conduits of news around the world via satellite, radio, TV and the internet. As noted above, the flow is such that it can no longer be stopped by any regime. Information empowers individuals to be critical, to make comparisons and choices concerning their preferences for different political or economic systems. People in free societies benefit most from free markets. Advanced telecommunication technologies constitute the motor of today's globalized economy and as such cannot be held back from expansion. It must be
recognized however that globalization and new technologies have also facilitated criminal operations and other vices like terrorism and pornography thereby placing an additional burden on law enforcement agencies. Industry, law enforcers and the public have a duty to protect the privacy of their customers and the profits of their shareholders.

Many proponents of the new technologies and globalization place their bets on technology as the panacea for our ills but it may be time to re-examine this because other people feel that societies are rolling towards ecological collapse and the signs are rapid climate change, rising seas, ozone holes, loss of species and habitat, accelerated cancer rates, terminal forms of air, water, and soil pollution, as well as unprecedented levels of social, political, and personal alienation and despair. Some think that all these ills are rooted in the excesses of technology. Biotechnology, genetics and robotics are branches of technology that are bringing unprecedented new threats to the planet according to this school of thought. Meanwhile the new telecommunications technologies that we had hoped would bring democracy and empowerment may be producing rampant commercialization, global corporate concentration and mergers, and centralization rather than decentralization.

In the era of economic globalization, the problems are magnified many times over. The all-powerful global bureaucracies such as the World Trade Organization (WTO) and others are preventing the ability of communities or nation-states to slow the rate at which giant global corporations freely exploit the
planet, dominate social systems, destroy local economies, and deploy the most powerful and dangerous technologies in history. This dynamic interaction between new technology, economic globalization, and centralized global power will keep our minds busy in the 21st century. In a nutshell, the major advances in communications and information technologies are creating valuable tools for enhancing the capacity of developing countries to integrate into the global economy and share in the benefits of globalization.
CHAPTER 6

MERITS AND DEMERITS OF GLOBALISATION

Globalisation is the defining phenomenon of the world economies in this 21st century. Many forums of the United Nations, the non-governmental organizations, corporate boardrooms and academic workshops are addressing the phenomenon. Perhaps because of its currency, the phenomenon is not well understood. It means different things to different people. To its proponents, globalisation means trade openness and removal of trade barriers. It further means integration of capital markets and unrestrained movement of global capital, but it requires integration of standards, including environmental laws, labour codes and industrial standards including the mobility of technology and the integration of the world's information and communication systems. To those apprehensive about globalisation, it conjures images of foreign ownership of national assets, of transfer of political and decision-making authority from the state to multinational corporations and the rich countries of the West, an integration and disappearance of cultures, and emergence of a global pop culture.

There is no doubt that world trade has fuelled phenomenal expansion of the world economy in which those countries with the capacity to participate effectively in international trade and finance have benefited enormously from trade and capital movements. The experience of South East Asia, where
incomes have increased during the past 40 years is a clear testimony to the benefits that participation in global economy can confer to a country with the capacity and sound policy framework. Globalisation however is not a panacea to all development challenges. With the exception of East Asia, some scholars feel that the economies of developing countries grew much faster under import substitution policies than under policies of openness. "Latin America, for example, grew at an annual rate of 5.5 per cent and has since grown by less than 2 percent, but its total factor productivity increased significantly under the regime of import substitution" (Govindarajan Vijay 2001, p315).

Thus on purely economic terms, the impact of globalisation on individual national economies are mixed. Under certain conditions, openness to trade and foreign direct investment can contribute enormously to growth while other policies too can lead to growth depending on national circumstances. In some circumstances, the economic impacts can be negative. Beyond the direct impact of trade and investments to economic growth and productivity, globalisation has other indirect impact. UNCTAD's 1997 Trade and Development Report demonstrated clearly that openness to trade and investments leads to increased inequality within and between countries. The inequality in incomes is associated with shifts in the production process towards skills-intensive technologies, decline in the labour share of GDP, the enlargement of the financial sector and substantial increase in tax concession or under-pricing of the natural resources.
Finally, care must be taken to protect government revenues. Trade openness can reduce government revenues through the reduction of import tariffs and export taxes. Regional integration is also important.

The point has been made many times and in many forums about the importance of regional integration in Africa. Now, there is a general acceptance within the continent that Africa must integrate if it is to have a chance to compete in the global economy and this acceptance needs to be translated into action. In addition, each country should build capacity to absorb and manage change. Development can simply be defined as capacity to absorb, adapt to, and manage change in a constructive way. The defining parameter of today’s global economy is change, and the change implies shock. There are the ever-accelerating changes in technology and in products. There are external shocks in the form of dramatic reversals in capital flows as was witnessed recently in East Asia. And there are shocks associated with the negative shifts in terms of trade. Building institutional capacities and strengthening the human resources base through education and training are central to a country’s effective participation in global economy.

Finally, there is the question of leadership. Designing and implementing national policies to accommodate and take advantage of globalisation requires leadership with a vision to see beyond the dictates of short-term political expediency, courage to make hard choices and resist parochial demands, ability to
communicate development decisions to citizens and integrity to rise above petty squabbles. It must be leadership that has competence to comprehend the threats, challenges and opportunities of globalisation, appreciate the imperatives of good governance, the vision of a preferred future and the capacity and commitment to realize it. It should be a leadership attuned to the aspiration of its citizens, and capacity to assess options open to it to attain the aspirations. And the leadership must be broad-based to include not only political leadership but leadership in business, civil society and academia as well.

Return to capital and in many cases the erosion of the redistribution role of the state needs to be examined. As mentioned above, the impacts of globalisation go well beyond economics into the realms of culture. On the positive side, it opens people's lives to different cultures and flow of ideas and knowledge. But the new culture carried by expanding the markets can be destabilizing because it is highly asymmetrical. It is also in one direction from the rich to the poor people who are attracted to products and role models they are likely to emulate in their local settings. Thus, instead of widening our perspective, globalisation can lead us into an untenable cultural setting.

From the perspective of developing countries, globalisation can undermine the viability of nations. As stated in the World Bank's 1999 World Development Report, globalisation unleashes centrifugal forces on national economies by pulling some sectors towards international integration and others towards
localization. The phenomenon leaves the countries vulnerable to external shocks, which can bring about political turmoil. More than four decades ago, the greatest challenge to economic modernization was integration of the modern and traditional sectors of an economy into the integrated whole. Today the challenge is not only national economic integration, but also the viability of the nation itself. Regardless of the outcome of globalisation for individual states the phenomenon is here with us, and it is irreversible since it is a process that is driven by powerful technological changes in production, especially in information and communication. It is further underpinned by internationally binding rules of the game under the auspices of the World Trade Organization.

**Living with globalization**

What should developing countries do to accommodate and take advantage of globalisation? There are no standard answers to this question, but with respect to Africa, at least some pre-conditions seem evident:

Quite independently of the forces of globalisation, nations in Africa are fragile and the economic decline of the last two decades exacerbated the fragility. The opening up of political systems has posed major challenges to national cohesion as well because political loyalties have tended to be defined by ethnicity, rather than class or economic interest. To create a strong and cohesive nation requires engendering a sense of belonging in its citizens. The strength of a state is measured by its ability to make its citizens accept the law as the standard to which they conform. Failure to do so forces citizens to defend themselves by
resorting to ethnicity or clientism and in many cases, this is made worse by economic disaffection. To avert this, the state must acquire legitimacy and the most effective way of doing so is through open and participatory democratic processes.

Further the state must have a sound development policy. A trade policy, which informs a state's economic interaction with the rest of the world, is only an element of development policy as Norbert Mao contends, "Effective trade policies must be firmly rooted in sound development policies and the latter in turn calls for well-articulated strategic policies, and sound macro-sectoral and micro-policies. Specifically, and with reference to trade policy, it suggests the phasing and proper sequencing of opening up of economies, further calling for due care with regard to capital account liberalization. Precipitate liberalization of capital account can lead to appreciation of local currency and render exports non-competitive. Additionally, a country needs to carefully formulate policies for attracting foreign direct investment, including portfolio investments. Competition among developing countries for foreign investments can jeopardize the potential benefits of the investments" (Mao, Norbert 2003, file://www.ifg.org/pubs.htm).

**The role of industrial countries**

To make globalisation work better, the international community has a responsibility to provide the enabling environment that will allow Africa to fulfil its potential. The industrial countries bear a particular responsibility in five areas:
First, as already mentioned by guaranteeing African exporters unfettered and tariff-free access to their markets, especially for agricultural products. Second, to support countries that are trying to boost growth and tackle poverty by increasing aid flows and guaranteeing them over longer periods. Third, by doing more to help Africa bring peace to its war-torn regions. In addition to direct efforts to resolve and prevent conflict, this means restraining arms sales and countering the smuggling of raw materials and natural resources to finance wars. Fourth, by helping the continent to fight the spread of the HIV/AIDS epidemic. Fifth is for the multilateral and bilateral partners to write off or reschedule the debts owed to them by the African countries. I am tempted to add a sixth responsibility that is to maintain a steady, low inflation growth in the industrialized countries and thus in the world economy and to seek to avoid major economic disturbances that would damage the developing countries.
CHAPTER 7

CONCLUDING REMARKS

Generally speaking, as globalization has progressed, living conditions have
improved significantly in many countries although the strongest gains have been
made in the advanced countries and only some of the developing countries.
That the income gap between high-income and low-income countries has grown
wider is a matter for concern. And the number of the world’s citizens in abject
poverty is deeply disturbing. But it is wrong to jump to the conclusion that
globalization has caused the divergence, or that nothing can be done to improve
the situation. To the contrary: low-income countries have not been able to
integrate with the global economy as quickly as others, partly because of their
chosen policies and partly because of factors outside their control. No country,
least of all the poorest, can afford to remain isolated from the world economy.
Every country should seek to reduce poverty. The international community
should endeavor, by strengthening the international financial system, through
trade, and through aid, to help the poorest countries integrate into the world
economy, grow more rapidly, and reduce poverty. That is the way to ensure all
people in all countries have access to the benefits of globalization.

The benefits of these developments are easily recognizable (increasing trade has
given consumers and producers a wider choice of low cost goods) often
incorporating more advanced technologies and facilities and more efficient use of
global resources. Greater access to world markets has allowed countries to exploit their comparative advantages, while opening their economies to the benefits of increased international competition. The rapid increase in capital and private investment flows has raised the resources available to countries able to attract them, and accelerate the pace of their development beyond what they could otherwise have achieved. Moreover, greater openness and participation in competitive international trade have increased employment, primarily of skilled labour, in tradable goods sectors. With the expansion of these sectors, unskilled labour has found increased employment opportunities in the non-tradable sectors such as construction and transportation.

The expansion of merchandise trade may also have lessened migrationary pressures. On the other hand, the movement of labour across national boundaries has in many cases lessened production bottlenecks, raising the supply response of recipient economies, and increasing income in the supply countries through worker remittances back home. A case in point is the many Kenyans who have left their country to work in South Africa, Namibia, Botswana, Rwanda, America, Europe and so on.

Openness to foreign expertise and management techniques has also greatly improved production efficiency in many African countries. There are however risks in globalisation. The ability of investment capital to seek out the most efficient markets, and for producers and consumers to access the most
competitive sources, exposes and intensifies existing structural weakness in individual economies/countries. Also, with the speedy flow of information, the margin of manoeuvre for domestic policy is much reduced, and policy mistakes are quickly punished. Indeed, increased capital mobility carries the risk of destabilizing cash flows and heightened exchange rate volatility, in cases where domestic macroeconomic policies are inappropriate or suffocated by the government machinery. It is clear that countries that fail to participate in this trend towards integration run the risk of being left behind.

It is important to recognize that globalisation is not a zero-sum game (it is not necessary for some countries to lose in order that others may gain). But to take advantage of this trend, countries will have to position themselves properly through the right policies. Clearly, those economies that open themselves to trade and capital flows on a free and fair basis and are able to attract international capital will benefit the most from globalisation. Open and integrated markets place a premium on good macroeconomic policies and on the ability to respond quickly and appropriately to changes in the international environment. Success in open markets and in attracting new investment and advanced technology, also means that the structure of economies is changing more rapidly than ever before. As with any structural change, there will be some segments of society that are at a disadvantage in the short term, even while other segments and the economy as a whole, are benefiting. This does not mean, however, that countries should seek to isolate themselves from globalisation. Rather,
governments must fully embrace globalisation in awareness of its potential risks, and seek to provide adequate protection for the vulnerable segments of society during the process of change. The question in my mind is whether Kenya for instance has provided a cushion for its markets, citizens, and jobs for its people against unfair competition through globalisation.

While globalisation raises the rewards of good policy, it also accelerates the costs of poor policy. Credibility of economic policy, once lost, becomes more difficult to regain. What is now critical is the perception of markets that economic policy formulation and implementation is consistent and predictable. This underscores the importance of flexible and well-informed policy-making, solid and well organized institutions, and transparency in governance.

Countries with a poor or inconsistent policy record will inevitably find themselves passed by, both from expanding trade and from private capital flows for development. These are countries that run the risk of marginalization. To me many African countries including Kenya, Zimbabwe, Tanzania etc have been in this category. They adopted a wait and see attitude to globalisation in pretext that they were protecting their economies but unfortunately they have been passed and left behind by countries which had much weaker economies in the late eighties and early nineties.
So what should be done? Ideally, the developed countries would apply at the
global level the same principles that boosted their own prosperity long ago. In
their race to industrialize, developed countries enjoyed the benefits of patent-free
international technology transfers. Would it be so unreasonable to remove the
trade barriers that undermine Africa's access to this same technology? Africa's
bad debts should also be handled the way debts are in the developed world and
forgiven or re-structured. For in the long run both debtor and creditor nations will
benefit from such action. As long as the debt burden hangs like an albatross
around Africa's neck, all rhetoric for development rings hollow.

Furthermore, it is necessary to reduce or eliminate agricultural subsidies. By
subsidizing American and European farms, production increases and costs are
reduced, making their products cheaper and more abundant than Africa's
unsubsidized goods. The impact on African farmers is worrisome; the flood of US
cotton on the world market recently washed away over 1 percent of GDP in
several poor African countries that are highly dependent on cotton exports.

Reducing trade barriers, while holding on to subsidies, is simply giving with one
hand and taking away with the other. Globalization could benefit Africa, but in its
current raw form, it will only paralyze the poverty-struck continent by turning it
into a cluster of wagon economies whose engines are in the western world. To
use an analogy, a donkey and an elephant cannot be yoked together to pull a
plough, for they are not of the same size or strength. Yet this is what
globalization has done to Africa. Due to differences in weight and size, the weaker side is struggling to keep apace while the stronger one reaps the benefits disproportionately.

Political leaders will ultimately compose the frontline of Africa's war on poverty, provided they have the political will to do so. Only they can combat health threats such as AIDS, make education a priority, and implement economic policies that will attract investment and create jobs. However, without an international framework to complement these efforts, domestic policies will prove futile. If Africa is to help itself, developed countries must give it the tools to do so. They must open their markets to African goods, offer debt relief, and, above all, provide focused developmental assistance based on agreed social goals. Thereafter as Prof. Eric M Aseka told a Kenyatta University congregation on 14.7.2004, "Kenya and Africa at large will need to review its policies to avoid becoming an archaic state (continent)\(^\text{a}\), (Aseka E M. p1).
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