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AFRICA AND GLOBALISATION: A CASE FOR REGIONAL INTEGRATION AND POVERTY REDUCTION - A REVIEW

*[1]A.T. AGHEMELO AND [2]SOLOMON IBHASEBHOR

[1]Department of Political Science, Faculty of Social Sciences, Ambrose Alli University, Ekpoma, Nigeria
[2]Department of History & International Studies, Faculty of Arts Ambrose Alli University, Ekpoma, Nigeria
***Corresponding author:** aistomaghemelo@yahoo.com **Tel:** +2348034294147

ABSTRACT

There is no doubt that economic growth rates in sub-Sahara Africa lagged far behind those of other regions and that Africa is the region least integrated into the global economy. In this article, the case has been made to show that African countries can and must integrate themselves into world markets if they wish to succeed. For Africa, an important intermediate step toward integration into the world economy is promoting regional integration at home. This is one urgent step towards making globalisation work in Africa.

Keywords: sub-Sahara, regional integration, globalisation.

INTRODUCTION

Globalisation is the transcendence of the economic, social, cultural, political, and environmental constraints across territories. It means greater integration of goods, services and capital between countries in the international system. In most cases, globalisation is used interchangeably with internationalisation and liberalisation.

Does globalisation lead to the world becoming a more equal place, or does it lead to the rich getting richer and the poor getting poorer? This question has assumed a great importance with the emergence of the World Trade Organisation as a force for trade liberalisation throughout the world.

This question is increasingly being raised by opponents of globalisation, but public debate on the issue can be frustratingly confusing. Critics of globalisation lack knowledge of, and are often vague about, what globalisation is, and fail to recognise that globalisation has different dimensions, which may have different effects on inequality. They define globalisation as encompassing many different phenomena, some of which have little or nothing to do with globalisation as economists define it. Globalisation as economists define it encompasses declining barriers to trade, migration, capital, flows, technology transfers, and foreign direct investment.

The character and nature of what has now come to be known as globalization started taking shape in the second half of the 20th century. The triumph of free trade doctrine over protectionism encouraged the establishment of economic communities is Europe, North America, the Caribbean, South America, Eastern Africa and West Africa. The goal was to promote trade among member states and stimulate the integration of national economics (Batra, 1993).

Another important development in the second half of the twentieth century is the series of tariff – reducing rounds of negotiations organised under the auspices of the General Agreement on Tariffs and Trade (CATT) (Osagie, 1995). Again, the goal was freer trade on a global basis. Before the last round known as the Uruguay round, the focus for multilateral tariff reductions was trade in goods only. Uruguay Round, which was the most comprehensive and inclusive extended negotiations on tariff reductions to include trade in services, agricultural products, which were previously subjected to import quotas and benefited from subsidies and textiles (GATT, 1994). Due to its vastly expanded scope of coverage, GATT metamorphosed into the World Trade Organisation (WTO) whose goal was free trade on a global basis.

The Need for African Globalisation

Ensuring that globalisation works in Africa is one of the most urgent tasks facing the region's policy makers. There is no doubt that economic growth in Africa has lagged far behind those of other regions and that Africa is the region least integrated into the global economy (Gatt, 1994).

Globalisation over the years has helped increased growth and wealth as part of the world have broken out of poverty and improved their living standards. This cannot be said of Africa, a continent battling to improve per-capital GNP growth of 3 percent (Gondwe, 2001). Today, Africa is still far from reaching its goal of an annual growth rate of over 7 percent a year, which is essential if it is to achieve the quality of life of the developed countries such as United States and Japan. It is not impossible for African countries to accomplish this goal but they can do so only by integrating with the world economy and by accelerating reforms with two fundamental objectives in mind. Viz:

(i) Creating the enabling conditions for private investment, by promoting greater openness in domestic and foreign trade; and

(ii) Making their economies more efficient by redefining the role of the state, reforming the civil service so as to improve the business climate, implementing stronger domestic policies and reforms designed to help African countries overcome the obstacles they face, as free and closer trading link would strengthen their capacity to participate in world trade and facilitate the much needed inflow of private investment and transfer of technology as well as increase access of the country's export to world market.

It is interesting to note however, that the desirability and feasibility has taken a renewed priority since 2001 when the 53 OAU member states agreed to transform the intergovernmental organisation into the African Union (AU) retaining its predecessor's dedication to political and economic unity while taking on a broader mandate to meet the challenges of globalisation.

In order to achieve economic integration, leaders of African countries, must ensure that they pursue policies that will create the conditions that are conducive to investment both in domestic and foreign sectors. In addition, they must pay attention to macroeconomic framework that emphasise appropriate fiscal and monetary policies conducive to price stability, savings, investment and a sustainable external current account position. These have become imperative because without a sustainable improvement in its trade performance, Africa will be unable to reverse its weak growth performance of the last two decades and thus be unable to meet its overwhelming goal of improving the living standard of majority of its populace.

Benefits of Economic Integration

Africa will benefit tremendously if the five existing regional economic communities namely Arab Monetary Union (AMU), Economic Community of West African States (ECOWAS), Economic Community of Central African States (ECCAS), Common Markets for Eastern and Southern Africa (COMESA) and the Southern African Development Community (SADC) could come together to form a common African Economic Organisation.

One of such benefits is that it will enhance the integration of Africa into world economy, thereby fostering mutual support among members in their reform efforts. Secondly, it will help harmonize national policies and create larger markets, thereby enhancing trading link between countries, which will strengthen their capacity to participate in world market.

Thirdly, it will enhance the efficiency and competitiveness of domestic products.

Fourthly, African countries stands the chance of benefiting from the establishment of regional infrastructures, both physical and financial. It will also lead to the establishment of shared energy, power, telecommunications and transportation. All these will not only maximise cost but will also help to bring countries closer as they set common regional policies (Jeffrey, 2000). It will help countries in achieving macroeconomic stability by implementing IMF supported programmes. An African economic integration will provide countries with stronger incentives to implement the measures necessary to achieve the stability they desire. We are already seeing evidence of the effects of such positive pressure at work in Eastern and Central Africa where more and more countries are adopting market based exchange rate system to improve their macroeconomics with a view to enhancing living standard of the people and obliterating poverty. An Africa economic integration will also make the realisation of a common currency for Africa just like we have the Euro presently in E.U countries.

Global Poverty Reduction

One of the key challenges facing the world community currently is poverty reduction and diverse debates have been raised on the policies that may help attain this objective.

Poverty in a given country can be reduced by fostering per capital GDP growth i.e, by increasing the total resources available to the population.

A widely held view is that poverty reduction is mainly the result of good economic policies centered on macro economic stability, open trade and finance, education, rule of law, government support for social programmes and privatisation.[7]

Jeffery Sachs, however, argued that poverty reduction does not just rest on economic reforms. He postulated three other pillars of poverty reduction viz:-

1). A population that is healthy and educated enough to participate in the global economy.
2). Technology development, and
3). Structural adjustment, especially export diversification.

The Role of Private Enterprise in Poverty Reduction

The role of private enterprise in poverty reduction cannot be over-emphasised. This is owing to the fact that a vibrant private sector generates jobs, raises income, and makes cheaper goods and services available. Private firms also contribute to development in other ways that are crucial to economic development and poverty reduction and these include; (1) they generate a large portion of government tax revenue without which there will be no sustainable base for funding public health care, education, agricultural research and other critical expenditures; (2) In countries with competitive economies, private firms will constantly seek out information that has practical local use to remain competitive.

IMF Role in Poverty Reduction

Though poverty reduction and economic challenges facing poor countries were not at the forefronts of IMF founders' mind when it was founded in 1944; it should be noted that with the breaking of colonialism and membership of developing world in IMF, the institution has taken broad measures to enhance the living standard of its poor member countries and ensure poverty reduction in such countries through the following means. Firstly, is by lending to them on concessional term in 1986 via the structural adjustment facility which was later expanded to become the enhanced structural adjustment facility.

IMF has also been involved in addressing developing countries on the impact of inflation on poverty.

IMF knows that a sub-standard poverty reduction requires sustained growth. So they advice and encourage countries on the pro-growth macro policies that are most effective in reducing poverty.

CONCLUSION

In order to accelerate economic growth and development and obliterate poverty, which is not only widespread but deep and severe in some African countries, there is need for Africa to integrate into the global economy. These have become imperative because Africa cannot afford to remain in isolation vis-à-vis the present call and need for globalization in order to attain economic growth. However, we must say that globalization is not a panacea for all Africa's economic problems but a step in the right direction.

The impression about Africa on the international front is one of chaos, poverty, corruption and underdevelopment. Africa therefore needs a paradigm shift and complete mental rehabilitation if the continent must survive the fast growing culture of globalization.

Africa's policy makers therefore have to put in place the following measures in order to derive maximum benefit from globalization and achieve rapid and sustained economic growth which is the sine qua non to poverty reduction.

First and foremost, Africa's policy makers should create the best possible condition for private investment by promoting greater openness in domestic and foreign trade.

Secondly, they must make their economy more efficient by redefining the role of the state, implement stronger domestic policies and reforms designed to consolidate macro-economic stability and enhance human resource development.

Thirdly, they must ensure good governance. This encompasses peace and stability that are conducive for trade and most importantly ensure they combat corruption, be it:

(i) Petty administrative or bureaucratic corruption, ie transaction by individual public officers who abuse their office for example by demanding bribes and kickbacks, diverting public fund or awarding favours in return for personal consideration;
(ii) Grand corruption ie theft or misuse of vast amount of public resource by state officers usually members of the political or administrative elite, or;
(iii) State capture corruption ie collusion by private actors with public officials or politicians for their mutual private benefit.

Nigeria is regarded as one of the world's most corrupt nations and President Olusegun Obasanjo estimates that corrupt African leaders have stolen at least $140 billion from their people in the decades since independence. This money could have been channelled towards debt servicing and provision of infrastructures and thus raise the standard of living of the people.

On the international front, Africa needs much more help than is being offered. IMF, World Bank and developed countries of the world should grant more aids to Africa. To address the health crisis alone would require several billion dollars more yearly. It is good that the IMF and World Bank are working closely with the World Health Organization (WHO) as part of its commission on global need on health.

Lastly, they should release heavily indebted poor countries from their misery, once and for all by finally cancelling their debts not giving half way measures as in the current initiative.

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