Africa, Globalisation and the role of Economic Governance: Pre and post the GFC

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ABSTRACT:

Africa's integration into the global economy and its increasing competitiveness depends heavily – among other aspects – on two critical factors: how 'economically globalised' it is and how its economic governance is improving. From a country perspective and a continental perspective, there appears to be a strong relation between these two factors in the sense that they tend reinforce each other. However, the question is in what way and how severely? The paper investigates the nature of the relation between economic globalisation and economic governance from a pre- and post-global financial crisis (GFC) viewpoint. It does so to gain a better understanding of these two factors' significance for Africa's economic progression by focusing on specific African country groupings, and not just generalised African perspectives. The intention is to inform African countries' policy formulation, prioritisation and critical adjustments, thus providing them with insight into requirements for becoming more globally competitive.

Research question: Do economic governance and economic globalisation in the context of African countries impact on each other, and how severely?

Method used: Literature study and a qualitative analysis of data from the KOF Index of Globalisation and the Ibrahim Index of African Governance.

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1. Introduction

Ever since the end of colonial rule and the acceleration of globalisation, African economies have struggled to make significant inroads regarding becoming more globalised. Ugandan President, Yoweri Museveni, rightly points out that: “there are unique challenges and opportunities for leadership in the era of globalisation in Africa” (Fick, 2006:24). The debate on the ability/willingness by the African State to bring development has re-emerged after the collapse of African economies in the 1980s; the failures by liberal international institutions in the 1990s to improve socio-economic conditions by means of austerity programs; the struggle by leading African economies to generate broad-based economic growth in the 2000s; the systematic marginalisation of Africa in the international political economy since the 1970s; and major neocolonial wars in Africa (Lumumba-Kasongo, 2002:80). During the same decades globalisation and the economic integration of especially the advanced economies dramatically intensified. Despite popular claims like “the victory of capitalism” since the end of the Cold War, the world economy has gone through more than ten different economic crises, creating alarming levels of systemic risk (Eichengreen *et al.*, 2011:5). Although Africa is still orienting itself to the impact of the 2007-08 global financial crisis (GFC) and the ensuing European crisis, it needs to be admitted – with exceptions, though – that its State, by global comparison, has for long not been an agent for sustained positive social and eco-nomic change – despite the good will of many Africans and African social movements.

Quattara (1999:4) highlighted that “while globalisation raises the rewards of good policy, it also accentuates the costs of poor policy.” This suggests a strong positive correlation between good economic governance and becoming more globalised. Since Africa’s struggles with globalisation can largely be explained by this (or the lack thereof), it is useful to explore this supposedly positive relationship from the pre-GFC era to the post-GFC era, considering that globalisation-friendly neoliberal policies are now less in favour. This encapsulates the aim of the study. Since much literature treats Africa’s economies in a very generic way, draws generalised conclusions and makes ‘one-size-fits-all’ recommendations, this paper will attempt to do its analysis in the context of differentiating between distinctive groupings of African economies. In the section two that follows, the meaning of globalisation and of economic governance in the light of the theoretical background will firstly be examined. The importance of engaging – by Africans –

with questions brought on by globalisation will also be considered. In section three multiple comparisons will be drawn regarding Africa and globalisation and economic governance. Section four considers key findings and policy recommendations.

2. Conceptualisation and discourse on the Africa-globalisation relationship

Globalisation refers to the process of the intensification of economic, political, social and cultural relations across international boundaries or, put differently, the widening, deepening and speeding up of worldwide interconnectedness (McGrew, 2010:16). Economically, globalisation is the increasing breakdown of trade barriers and capital restrictions and the increasing integration of world markets. It is the result of the expansion, diversification and deepening of trade and financial relations between countries. Globalisation amounts to an effective opening of national borders for economic activities. According to Ukpere (2011:6072), "it is a state whereby national boundaries turn totally porous with respect to the movement of goods and capital." Considering that international trade is clustered around a European bloc, a North American bloc, an Asian bloc, and now also the South-South trade bloc of BRICS[2] Plus countries, the international economy can, at best, be characterised by a fractured globalisation[3] (Harris & Michie, 1998:416). Adding to this the contradictory phenomena of McWorld and Jihad and problems involving global justice, the result is real but fractured economic, financial and technological integration (Barber, 2000). Globalisation is a powerful force, as it has brought positive facets to some parts of the world; however, conversely, it has also threatened life, in a broader sense (Ukpere, 2010:243). The increased fragmentation of the world economy has always been a deep-seated concern about globalisation, particularly since its escalation in the 1990s coincided with the neoliberal free-market ideology of liberalisation, privatisation and deregulation that became the preferred approach to economic policy formulation – as recommended by the international financial institutions (IFIs). Neoliberalism's ideational hegemony in Africa has been facilitated and undergirded by the uneven power relations between the post-colonial African state and the IFIs. Now, adding to the disorientation, the GFC has raised serious doubts about every single aspect of finance theory, policy and practice associated with a set of dogmas commonly described as *neoliberalism* (Nesvetailova and Palan, 2010:798).

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[2] BRICS is a group of emerging economies, consisting of Brazil, Russia, India, China and South Africa.
[3] Fractured globalisation can be seen as a confluence of contradictory and divergent forces of globalisation, being both the cause and result of increased global inequality and a 'broken, friction-prone global village'.

Moreover, one of the key implications of the combined effect of globalisation and neoliberalism is the weakening of national sovereignty. The rapid increase in cross-border economic activities due to globalisation has led to a rising asymmetry between the rule of government and globally expanding markets. Neoliberal globalisation, i.e. globalisation as driven by free-market fundamentalism, has disturbed the basic symmetry of political organisation (nation-states) and economic organisation (markets) as the latter is expanding beyond the limits of government control and national territories. As Strange (1996:72) argues, the rapid interpenetration of economies is facilitated by a global drive for liberalisation of markets, privatisation, deregulation and a dramatic reduction of the commanding role of the government in national planning – especially in Africa. The Commission on Global Governance (1996:137) confirmed that "it is becoming increasingly evident that the pace of globalisation of markets is currently outstripping the capacity of governments to provide the necessary framework of rules and cooperative arrangements to ensure stability and prevent abuses of monopoly and other market failures. National solutions to such failures within a globalised economy are severely limited". A serious concern, therefore, is that consequently governments do not exercise sufficient sovereignty in the contemporary era of globalisation, so that they do not have the power to carry out ambitious policies to raise output and employment. Even after the GFC, the neoclassical roots of neoliberal globalisation can be traced in the inertia to make swift policy adjustments in a return of the state to the market (Thirlwell, 2010:6).

According to Scholte (2001:22), state regulatory capacities have ceased to meet the criteria of sovereignty as it was traditionally conceived. Governments have displayed a lack of proficiency in coping with the challenges of globalisation. Although there is not a complete erosion of state power, governments are not in a position, as they were in the past, to provide proper governance to cross-border economic activities. This governance uncertainty is raising serious concerns about the effectiveness of economic policy-making, especially given an increasingly transforming global economic environment. Strange (1996:72) underlines that politicians and governments have lost the authority they used to have and that their command over outcomes has diminished. Her argument follows that "the impersonal forces of world markets, integrated over the post-war period more by private enterprise in finance, industry and trade than by cooperative decisions of governments, are now more powerful than states". Both the authority and legitimacy of states are in decline, creating a serious *vacuum* in the international order; “a yawning hole of non-authority, ungovernance it might be called”. Today, in the post-GFC period with neoliberalism in serious question (creating an *ideological and governance vacuum*) and globalisation more fractured, it leaves developing countries, in particular, in a heap of uncertainty concerning the way forward for economic policy formulation. African countries are even more in disarray in this period since policy direction is lacking in light of uncertainty over alternatives to neoliberalism (Ukpere, 2011:6081). This is adding to the frustration of Africa’s experience with the impact of globalisation.

According to Amuwo (2002:67), the market-friendly neoliberal economic policies of the IFIs are such that Africa’s contribution to world trade and its intake of investment funds were larger in the days of national economic policy than in the days of economic openness, resulting in an “age of globalising de-globalisation in Africa or of distorted globalisation”. While the reasons are subject to debate, it does appear that Africa experienced marginalisation under contemporary globalisation. Mazrui (1999:9) underlined this by pointing out that “every stage of Africa’s contribution to globalisation was also a stage in its own marginalisation.” This may have lessened to some extent due to Africa’s increased South-South trade and investment activity, but progression is still not up to speed with advanced economies. Unavoidably, the GFC has exacerbated this impact as Sub-Saharan Africa’s (SSA) average real per capita GDP contracted for the first time in a decade (IMF, 2009a:22). The effect was made worse by the global food crisis that peaked in mid-2008 after the prices of maize, rice, wheat and milk powder all increased by more than 100% since 2005 (Evanic & Martin, 2008:405). Studies found that Africa’s poorest got poorer as they spend roughly three-quarters of their incomes on staple foods (and they had to cut back on consumption) and had to send fewer children to school and avoided hospitals (Wodon & Zaman, 2009:172). Although there were variations by commodity and by country, Africa’s poor people generally are net consumers of food and as such tend to be hurt by higher food prices. While many rural households gain from higher food prices, the overall impact on poverty in Africa was negative. This further reduced Africa’s ability to globalise, mainly because burdensome poverty conditions create a restriction on building networks for trade and investment. Concurrently, although the low-income countries in Africa were not as much affected as primarily middle-income developing countries by the GFC, due to limited integration into global markets, the resulting impact on market confidence saw the transmission of the crisis through all-over falling trade, investment and remittances (Alexander, 2010:118). Twelve African countries receive over 75% of their export earnings from non-fuel commodities. Year on year, the IMF's index of nonfuel commodity prices has fallen by 23% from 2008 to 2010 – with real impact on employment across Africa (IMF, 2009b:45). The Investment Finance Corporation (IFC, 2008:31) estimates that 450 investment commitments in African infrastructure projects were cancelled in 2008 alone. Hence, the two main channels through which Africa was affected by the GFC were, first, the negative demand shock for African export products – especially primary commodities such as minerals, crude oil and agricultural products – that led to declining export prices (Kato, 2009). The slowdown in world trade and stimulation packages on public expenditures significantly reduced government revenues, putting pressure on fiscal positions in many African countries, which had an adverse effect on poverty reduction and much-needed public investment (Alabi *et al.*, 2011).

Through the second channel, external transfers such as foreign aid and remittances declined (remittances by about 6.6% for the whole continent between 2008 and 2009). Foreign direct investment (FDI) to Africa declined by roughly 36% in 2009, compared to 2008, which is contrary to the steady increase in FDI during the 2000s. In fact, between 1990 and 2005 Africa had the highest return on FDI, which was up to 40%, mainly for major projects (Sautman & Hairong, 2007:93). Much of this is due to Chinese investment of over US$100 billion in Africa, through almost 1000 Chinese companies in the continent (Adisu *et al.*, 2010:4). In more than a decade, the Chinese have built a network of investment, trade and aid with close to fifty African countries (Zafar, 2007). Sino-African economic relations have certainly become stronger, most significantly because of the Chinese model of 'no strings attached' or no conditional stipulations, together with more adapted business models and technologies. The new attitude of non-interference by this 'Beijing Consensus' stands in contrast to the neoliberal Washington Consensus of reform requirements, and is very attractive to African leaders and policy makers. This has made the West, and particularly Africa's largest trade partners, the US and the European Union (EU), quite uneasy. While the West supports microfinance for the poor in Africa, China is setting up a $5 billion equity fund to foster investment there (Brautigam, 2010:3). The West advocates trade liberalisation to open African markets; China builds special economic zones to draw Chinese firms (e.g. in Nigeria, Egypt, Ethiopia, Mauritius and Zambia). The Chinese approach clearly resonates with African elites looking for a positive development model as it appears to be a very promising strategy for industrialisation and employment in Africa's least developed countries. Although riddled with controversy and skepticism, China is having a profound impact on African economies. The positive growth in Africa is due, in large part, to the impact of China's economic ventures in the region and its purchase of especially critical resources such as oil, bauxite, etc. It is also opening up new win-win economic ventures with other developing regions for Africa on the basis of its South-South 'solidarity' and increased BRICS cooperation (Kopinski et al., 2011:131). So, are China's trade, investment and aid plans interrupted because of the GFC? Although both China and Africa had to cope with the impact of the global slowdown, Chinese Premier Wen Jiabao announced in November 2009 a series of new pledges for Chinese assistance to African countries and confirmed: "whatever change may take place in the world … our policy of supporting Africa's economic and social development will not change" (Xinhua, 2009:2). Since 2000 China-Africa trade investment grew by 33.5%, reaching US$106.8 billion by 2008, and since then Chinese funding of infrastructure and development in Africa grew to rival lending by the World Bank and the IMF (Adisu *et al.*, 2010:7).

Furthermore, despite fears of the world undergoing some kind of de-globalisation, globalisation continued to increase, albeit at a slower pace since the GFC (Goldin & Reinert, 2012). Together with the driving forces of global trade and investment, contemporary globalisation is immensely stimulated by innovation and technology. Globalisation and particularly telecommunication technology (ICT) are intertwined in the sense that telecommunications promote globalisation and globalisation plays a vital role in the growth of the telecommunications industry, even to the extent that there exists a high correlation between globalisation rank and ICT rank (Chatterjee, 2012:1). Technology largely facilitates the process of globalisation as it is literally fueled by the creation of new technologies (Kemeny, 2011:21). While the globalisation of innovation is increasing, they are generated in specific geographical locations due to concentrations of specific human and physical capital. Techno-globalisation has created fertile grounds for new exploration while keeping concerns about welfare at the fore. Technology has become central in explaining uneven economic development, as reflected in the uneven distribution and insufficient transfer of technology and innovation across the world. A large technology gap – or digital divide – separates the most and least sophisticated economies, most notable in many countries in the regions of Africa, Latin America and South-Asia where little progress have been made regarding technological advancements and achievements. In Africa, for instance, the vast majority of its Internet users are in South Africa. Of about one million Internet users on the continent, 700 000 lives in South Africa (Tabusca, 2010:5). Hence, if you exclude South Africa, Africa have approximately one Internet user for every 5000 people while the rest of the world average is about one user for every 38 persons. Closing the digital divide is increasingly one of Africa's most critical challenges in the globalisation of innovation in the 21st century. Africa's lack of techno-globalisation is also one of the primary reasons why it has largely been left behind with regards to the increasing international thrust of 'progress through partnership,' which has opened the way for rapidly advancing countries such as China, India and Brazil. It might also be part of the explanation of why the continent has such a governance deficit as it lacks sufficient global partnerships in respect of technology and other prospects to globalise.

Another element of globalisation that has proliferated tremendously are global value chains (GVC), defined by Gereffi *et al.* (2005:79) as "the process by which technology is combined with material and labour inputs, and then processed inputs are assembled, marketed, and distributed." GVC signifies the great extent to which economic globalisation is built on a truly networked form of economic organisation that is "neither market nor hierarchy" (Mahutga, 2012:1). Demonstrating how global production is organised, GVC has led to the vertical disintegration of transnational corporations (yet a reintegration within the GVC), which are redefining their core competencies to focus on innovation and product strategy and marketing, while reducing their direct ownership over 'non-core' functions such as generic services and volume production. This dynamic unfolding of GVC has fueled the growth of industrial capabilities in a wide range of developing countries – particularly India, China and South-East Asian countries – but to a much lesser extent in Africa.

A third element of globalisation that is also quite unprecedented in terms of scope and speed is world migration. The world migrant population has increased from 100 million in 1980 to 214 million in 2010 – mostly from less to more developed regions of the world (Zavodny, 2011:464).

Global economic integration facilitates not only the flow of capital, raw materials, goods and services, but also the flow of people across national boundaries – a freedom associated with free trade. Economic globalisation brings an increasing demand for highly-trained human capital in advanced countries as it removes mobility barriers and allows high-trained human capital to move freely. Unfortunately, for Africa this largely means a continuing brain drain as the continent struggles to retain its highly skilled individuals. Collectively, hundreds of thousands of skilled Africans have left the continent during the past five decades (Osaretin & Akpomera, 2012:18).

Conventional wisdom suggests that globalisation raises the rewards of good policy and accentuates the costs of poor policy. History has also shown that flexible and well-informed policy-making, well-governed institutions and transparency in governance are essential. Countries with a policy record that is poor or inconsistent have inevitably found themselves passed by, by globalisation-opportunities through trade and investment flows. Since globalisation has worked more for the corporate world both in the developed and developing worlds, this, however, appears to be profitable most for economies that were already competitive before the neoliberal globalisation's impact (after the Washington Consensus in 1989). Khan (2008:17) takes it a step further by asserting that "globalisation imposes the rules and discipline of the global market on governments and thus limits the effectiveness of developing countries' national policy, including fiscal and monetary policy." Compounding this, the inability of globalisation to meet the most basic needs of people in the poorest countries has only worsened the structural crisis of international political economy, mainly because you need the 'buy-in' of people to make it work – which need to translate into tangible benefits for them. Globalisation does have a tendency (not excluding bad policies to shape it) to increase income inequality between nations as well as individuals and regions, which adds to the policy tension that Africa is experiencing between *autonomy* and *openness*. To many African countries the main trait of globalisation has been the dismantling of institutions of social protection, corporate restructuring associated with layoffs and pressure on funding of the social sectors, while the benefits emanating from global markets, technology, ideas and interdependence have only selectively been realised (Chimanikire, 2005:15). While there is no doubt that good governance is essential for economic progress – despite the skewed conditions created by neoliberal globalisation – for Africa it is an unfair question of having to choose between Western or Eastern (Asian, Chinese) interests (global economic integration or South-South integration with outward priorities) or African interests (regional integration and eradicating poverty and inequality) (Amuwo, 2002:67). This often results in conflicting priorities in national economic policy formation, which restrict the effectiveness, and delay the implementation of economic policies in Africa. As such, African countries habitually find themselves in the middle of an unhealthy competition between the goals on each side. For instance, the West require more neoliberal policy reforms, while African countries want African integration – which require more state involvement – to be a higher priority.

To this end, it should be underlined that one of the main reasons for Africa's deficiency in dealing effectively with the process of globalisation is the lack of objective reflection and debate, compared to other parts of the world, on questions concerning globalisation – especially among policy makers, representatives of civil society groups and other African stakeholders. This puts Africa at a comparative disadvantage in directing its energies and resources to make better use of the opportunities offered by globalisation and to reduce vulnerabilities to its negative impacts. An increase in think tanks that link key decision-makers are imperative for the future. Discourse in the relationship between globalisation and African countries' economic governance is paramount in involving the necessary stakeholders in policy debate and prioritisation in view of a constantly changing global environment.

Against the background of Africa's struggle to reconcile the impact and perceived opportunities of fractured, neoliberal globalisation, and the priorities for good economic governance (especially as prescribed by essentially the IFIs' reform requirements), one can now consider crucial or correlations between globalisation and governance. Notably, efforts towards this reconciliation are occurring in company with tremendous struggle and tension as it involves a confluence of asymmetric historical, pre- and post-GFC dynamics. For conceptual clarification, Held (2000:92) defines economic globalisation as "the process by which markets and production in different countries are becoming increasingly interdependent due to the dynamics of trade in goods and services and flows of capital and technology". Economic governance refers to economic policy formation, also including corporate governance and all institutions to sustain a market economy (from property rights to market-supporting, social security and macro-institutions) (Rodrik, 2007:200).

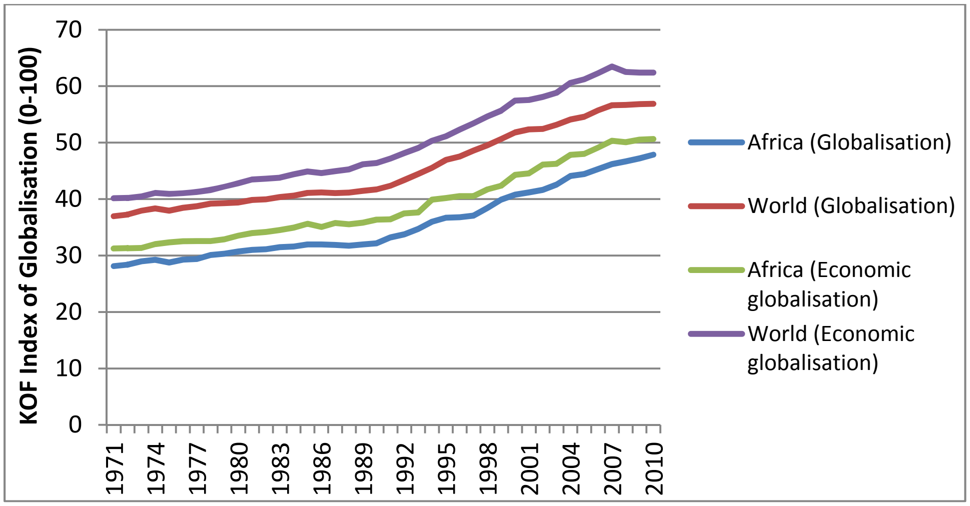
3. African Correlations: Globalisation and Economic governance

The GFC has highlighted how slow many developing countries have reacted to the greatest global recession since the 1930s. While world financial markets were in the midst of a credit crisis of historic breadth and depth, and the knock-on effects of job losses were coming, the quality of African countries' governance were starting to be challenged. Their international trade and investment partnerships were also scrutinised by the GFC. As two key priorities for closing the gap between Africa and most of the rest of the world in the current era of globalisation, it is essential that the continent makes considerable progress in the areas of (1) becoming more globally integrated, and (2) improving its governance – especially economic policy formation and implementation. Contrary to generalised African comparisons, particular emphasis will in this section be placed on differentiating between different categories of African countries[4]. This is to give recognition to the fact that African countries are becoming increasingly differentiated in all areas, including their ability to benefit from globalisation (Quintyn & Verdier, 2010:4). Firstly, two globalisation scorecards for Africa will be considered: one from 1970 to 2010, comparing Africa with the World average, and one from 1960 to 2011, comparing Africa with low- and middle-income averages. Secondly, economic globalisation and economic governance trends are compared for different country groups (with limited data availability in terms of years). The KOF Index of Globalisation and the Ibrahim Index of African Governance will primarily be used in this analysis for the purposes of consistency (see Appendix 1).

In Figure 1 the overall picture of globalisation in Africa compared with the world average (1970-2010) indicates that – both in terms of the continent's globalisation and economic globalisation – it is significantly lower than the world averages, and below par (KOF Index value of 50). Interestingly, for both Africa and the World, economic globalisation is more advanced than general globalisation (which also includes social globalisation and political globalisation in the KOF Index). The post-GFC situation (after 2007) did not even change this parallel pattern.

[4] Only countries that have sufficient data available on globalisation and governance have been included.

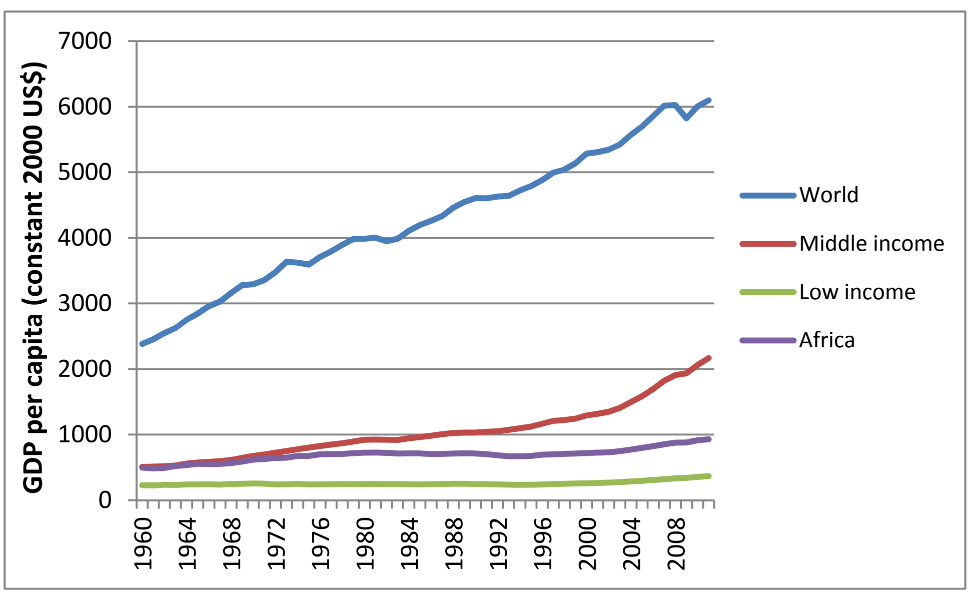
Figure 1: Africa and Globalisation: First scorecard (1970-2010)



Source: Data from KOF Index of Globalisation, 2012

Figure 2 completes the globalisation scorecard, confirming that Africa has seen modest progress in real terms over the period 1960-2011 regarding growth in Gross Domestic Product (GDP) per capita. World and middle income countries' growth increased, while only low income countries' growth correlates Africa's. In combination, Figures 1 & 2 suggest that low growth in GDP per capita seriously impede Africa in becoming more globalised, as its economic base remains small.

Figure 2: Africa and globalisation: Second scorecard (1960-2011)



Source: Data from World Bank, 2012, *World Development Indicators Online*

Before proceeding with country group comparisons, Table 1 provides indicators used to help categorise the different country groupings. Apart from these, each group can be briefly defined as follows:

- *High performing countries* have relatively strong export markets and place strong emphasis on integration into the global economy; they show good, sustained economic growth; have good financial services and provide good basic public services; are good at steering their economy through fairly good policy-making;
- *Oil-exporting countries* generate most of their income from exporting oil and energy resources, but do not sufficiently diversify their economies and do not make economic reform a high enough priority to attract more foreign investment;
- *Upward performing countries* show good growth, but still from a relatively narrow base. Economic reform takes place and investors are showing interest. Macroeconomic stability is fairly on track, but they are still fragile to shocks;
- *Poor performing countries* suffer from macroeconomic instability and insufficient capacity building in all areas (e.g. institutional and human capital). They have a weak banking sector and capital flight frequently occurs. They are net importers and have large and unsustainable budget deficits (8% and more of GDP); and
- *Countries in collapse* have almost no growth engines in their economies; suffer from enduring political instability; are paralised by crime, corruption and resource depletion; and they have very weak policy frameworks and public services.

Table 1: Comparative indicators for different African country groupings*

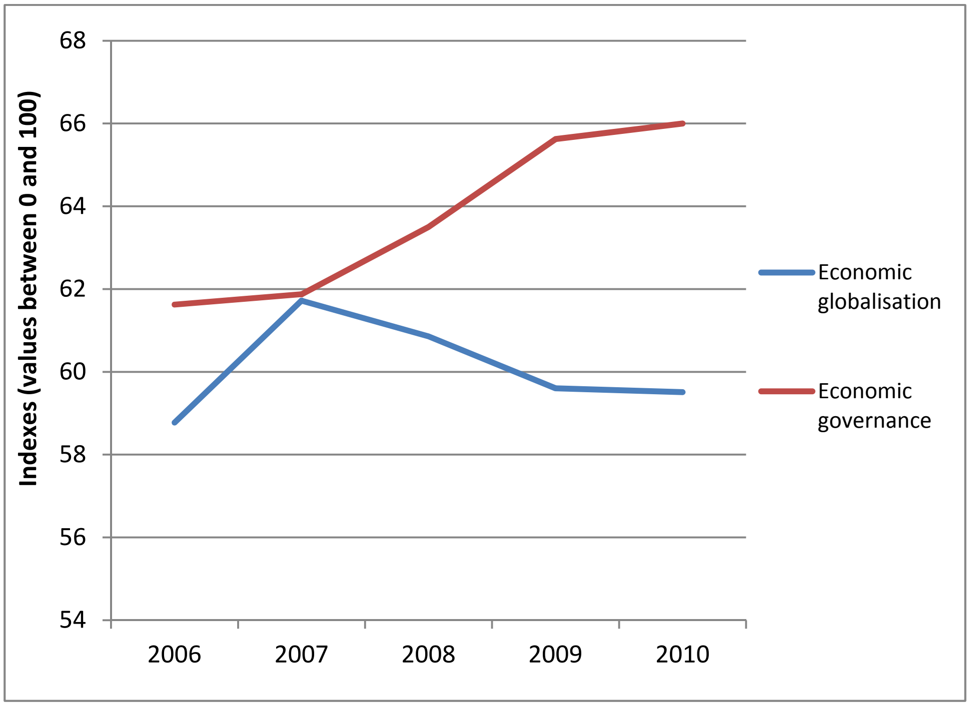
Indicator	High Performers	Oil-exporters	Upward Performers	Poor Performers	Countries in Collapse
Sustained real per capita GDP growth (long term)	Fairly good	Moderate	Fairly good	Weak	Weak
Structural transformation	Fairly good	Weak	Moderate	Weak	Very weak
Poverty, inequality reduction	Weak	Very weak	Weak	Very weak	Very weak
Social cohesion	Fairly good	Moderate	Moderate	Moderate	Very weak
Youth unemployment (15-24)	Weak	Very weak	Weak	Very weak	Very weak
Institutional & policy dev.	Fairly good	Moderate	Moderate	Weak	Weak
Macroeconomic stability	Fairly good	Moderate	Fairly good	Moderate	Weak
Political stability	Good	Moderate	Moderate	Moderate	Very weak
Business, Investmt attraction	Fairly good	Moderate	Moderate	Weak	Very weak
Infrastructure improvement	Good	Weak	Weak	Very weak	Very weak
Improving public finances	Moderate	Moderate	Fairly good	Weak	Weak

On track for achieving MDGs	Moderate	Moderate	Moderate	Very weak	Very weak
Debt sustainability	Moderate	Moderate	Moderate	Weak	Weak
Solving crime, corruption	Weak	Weak	Weak	Weak	Very weak

*Although country-specific scores may differ, these represent average scores for the groupings.
Source: African Development Bank, 2012.

In Figure 3 economic globalisation and economic governance by *high performing countries* in Africa are compared. Data is averaged as a group; these countries include South Africa, Botswana, Mauritius, Egypt, Tunisia, Ghana, Namibia and Morocco. The aim is to examine, by correlation, what the influence of good economic policy is on a specific group of countries that are becoming more globalised. This is the aim for all the graphs to follow over the years: 2006 (pre-GFC) to 2010 (post-GFC). In the case of Figure 3 it is noteworthy that there appears to be converse movement, like between 2006-07 economic globalisation improved sharply in the advancing African economies, while economic governance has weakened. After 2007, governance started and continued to improve drastically while globalisation weakened, mainly due to the GFC (and its negative effects on economic growth) and developed countries' inward focus. This suggests that over a period of crisis for these countries, there is likely to be a negative correlation between the two processes, which in large part can be explained by counter-cyclical policy responses to the crisis. It might also be explained by the shift in emphasis by Africa's advancing economies from global integration priorities to governance priorities to address global systemic risk factors. Moreover, in this group, especially during a crisis, globalisation and governance do not appear to complement each other. In the case of South Africa, for instance, economic governance measures were drastically strengthened during the GFC, together with good banking regulation that were put in place just before the GFC, which resulted in improved governance but perhaps at the expense of progressing its external (e.g. exports) focus that would have improved its efforts to globalise (Gordhan, 2011:13).

Figure 3: Economic globalisation and economic governance by high performers

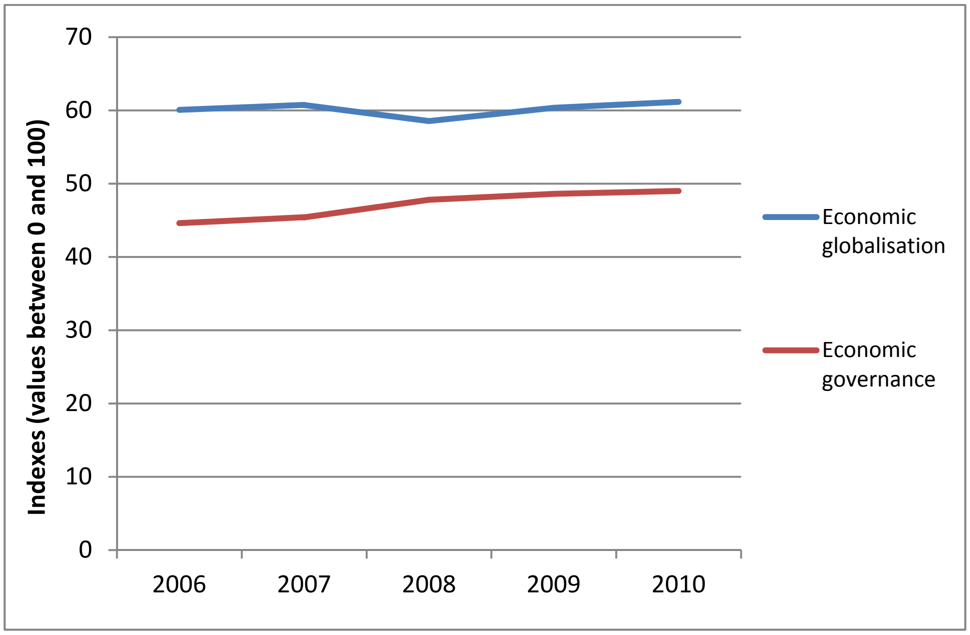


Sources: KOF Index of Globalisation, 2012; Ibrahim Index of African Governance, 2012

Note: For this figure and those that follow, each country has an equal weight in the aggregation.

In Figure 4 it is clear that, despite the slight downward movement of economic globalisation in 2007-08 due to the GFC, there is a correlated progression in both areas for the group of *oil-exporting countries*. However, the persistent lower level of economic governance compared to economic globalisation is a serious concern for this group of oil-exporting countries (Nigeria, Angola, Gabon and Algeria), suggesting that not enough emphasis is placed on economic policy reform to diversify production and widen the growth base. Apart from their limited integration into the global economy, arguably the main reason why these countries were less affected by the GFC is because of other countries continuing to be dependent on them for oil exports. Albeit, GDP growth did slow down and unemployment worsened, especially among the youth in these countries.

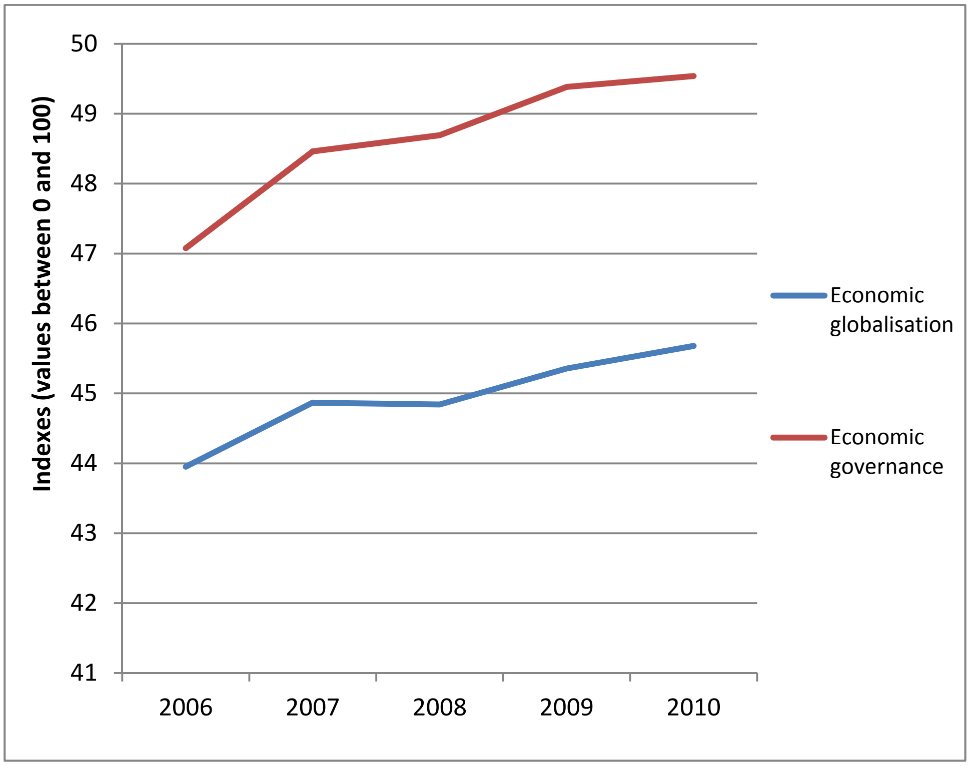
Figure 4: Economic globalisation and economic governance by oil-exporters



Sources: KOF Index of Globalisation, 2012; Ibrahim Index of African Governance, 2012

Figure 5 indicates that although there is a strong correlated progression in both areas (in the pre- and post-GFC periods), economic governance remained considerably ahead of economic globalisation in the country group of *upward performers*. The greater success with governance could be ascribed to greater emphasis on economic reform, in the hope that it will attract more foreign investment, which might later improve the globalisation index. This suggests a complementary relationship between governance and globalisation, but with an unsatisfactory lagging factor – as indicated by the large gap. Further troublesome is that the index values for both criteria are on average rather low (below 50). The countries in this group are Mozambique, Kenya, Zambia, Uganda, Tanzania, Ethiopia, Sierra Leone, Guinea, Central African Republic, Cape Verde, Mali, Rwanda and Madagascar. In the case of Mozambique, reforms and other structural adjustments in its economy has helped it to start exporting coal, marking the birth of Mozambique as a world exporter of minerals. Two areas in these countries that have been significantly affected by the GFC are their tourism industry and export-oriented sectors, which has hampered economic growth.

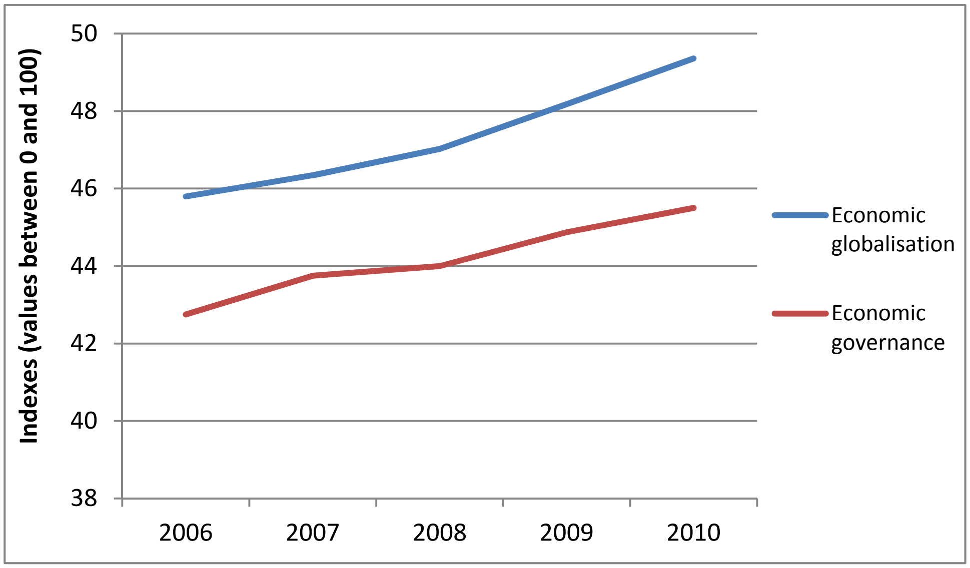
Figure 5: Economic globalisation and economic governance by upward performers



Sources: KOF Index of Globalisation, 2012; Ibrahim Index of African Governance, 2012

The *poorly performing* countries represented in Figure 6 include Cameroon, Malawi, Chad, Senegal, Benin, Republic of Congo, Niger, Mauritania and Burkina Faso. With the GFC not drastically affecting these countries, economic globalisation has improved at a higher level – albeit still below 50 – than economic governance. This has at least attracted much needed foreign investment to them (Rajuili, 2010:10). The grave concern remains their lack of economic reform and their inability to garner macroeconomic stability. An example is the Republic of Congo, that has the highest globalisation score in this group, and the lowest governance score (averages are respectively 68.1 and 39.4).

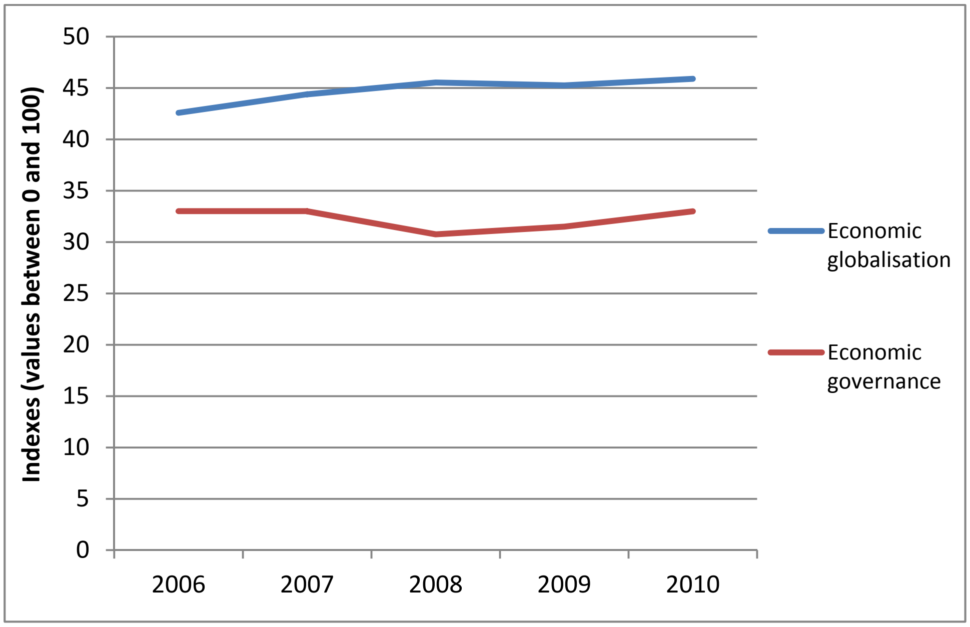
Figure 6: Globalisation and governance by poorly performing countries



Sources: KOF Index of Globalisation, 2012; Ibrahim Index of African Governance, 2012

In Figure 7 there is for the group of *countries in collapse* a parallel sideways movement, which is the result of no significant economic policy reform and very limited integration into the global economy through trade or investment. As with the oil-exporting countries, the key concern here is that globalisation scores are much higher than governance scores, suggesting that there is no complimentary relationship between the two areas. The slight improvement in governance has no significant effect on globalisation. Democratic Republic of Congo, Zimbabwe, Sudan, and Cote d'Ivoire are in this group. Against a background of conflict, these countries have not managed to commit themselves to policies that ensure their economies' productive capacity is diversified. Their somewhat high globalisation scores are mainly because of some foreign investment they attract because of their resources, but their governments have yet to credibly commit themselves to policies that sustain growth. The only effect of the GFC appears to have been on economic governance, where there might have been some relaxing of policy reform in anticipation of the GFC's outcome.

Figure 7: Economic globalisation and economic governance by countries in collapse



Sources: KOF Index of Globalisation, 2012; Ibrahim Index of African Governance, 2012

4. Findings, explanations and policy recommendations

A number of aspects have been clarified through this paper, of which some of the key findings and explanations are:

- With the continental average, and 70% of the African countries, scoring below 50 in the KOF Index of Globalisation, Africa is yet miles away from mainstream global economic activity. Even Africa's leading economy, South Africa, with its sophisticated private sector that dwarfs the other countries, can at this point only be considered as a country on the verge of globalisation (Quintyn & Verdier, 2010:7).
- The high performers in Africa are the chief contributors to its improved economic governance, mainly because they have managed key reform programs over 20 years.
- For the oil-exporting African countries, oil may cause a distinct set of development prospects because of its significance as a resource. However, unless they drastically improve their governance rates, broad-scale development will not materialise and be disguised behind the façade of their high growth rates due to petroleum resources.
- The main problem with those countries labeled as upward performers is that foreign investors do not believe that economic policy is credible enough to risk significant amounts, mainly because reforms have not been sustained long enough (Tsopanakis, 2012:1008).

There are also doubts about their private sectors, given how poor they are and because of their background of state-led economic development. Mozambique is an example of having a high growth rate (yet from a very low base) but its remarkably poor infrastructure severely limits its ability to take advantage of globalisation. Given increased economic reform activity and a broadening of the growth base and skills base, good economic development prospects are realistic.

- Among poorly performing countries the challenge of low per capita incomes is undermining their ability to adjust their export composition and to become globalised. The severe effects of unemployment, underemployment and poverty in these countries, as well as ecological constraints, have lessened the chances of real development. Though growth through exceptional resource prices/positive shocks is possible, drastic reform is required.
- Countries in collapse face the daunting task of hastily developing their fragile institutional capacity and addressing fragmenting social cohesion that result in increased conflict, crime and corruption. Some sectors of their economies (including the skill levels) will need to be developed drastically to attract foreign capital.
- Clearly, African countries in the different categories face very different growth prospects, governance challenges and globalisation expectations. Realistically, it is primarily the countries in categories one and three (high performers and upward performers) that have the domestic essentials to best take advantage of the opportunities offered by globalisation (Fick, 2006:44). It is possible for countries in the other categories to also get into this position, but they will need to implement considerable domestic reforms and address structural constraints.
- Economic relations with China, the largest and fastest growing rising power, opens up new possibilities for Africa, but it will need to act responsibly in managing its resources and keeping relations strong with the US and EU.

Finally, with reference to the economic policy challenges mentioned earlier in the context of contemporary globalisation, key policy recommendations for African countries suggested here include:

- firstly, that African countries ensure that any policy reforms are adjusted to meet country-conditions and are frequently tested and *tailor-made* to improve their effectiveness. While privatisation should remain a priority (as per neoliberalism), governments should take the initiative to play a more influential role in supporting the market.
- Secondly, African countries must avoid – at all cost – institutional collapse and establish preconditions for development through policies that emphasise building good institutions so as to provide a platform for building capacity and becoming more globalised.
- Thirdly, to participate in the global economy with some measure of success, African countries will need to develop comparative advantages in relatively labour-intensive manufacturing. This underlines the importance of building a more skilled labour force and to innovate and drastically improve the policy environment.
- Fourthly, trade policy needs to address the issue of the limited range of products and services being exported by African countries. It has become a typical African pattern that all the countries' export profiles are still dependent on the export of a few minerals and raw materials. This is a tremendous restriction to penetrating foreign markets, attracting investment and becoming more globalised. A more lucrative investment environment needs to be created to attract capital and multi-national corporate business to the continent to widen the range of exports and skills development. This is arguably the most important determinant of Africa becoming more globalised.
- Fifthly, more regional cooperation is necessary, for instance, through resource- and capacity-sharing, to enable African countries to gain a competitive edge especially in manufacturing. This is how the benefits of Africa's regionalisation could create opportunities for Africa's globalisation. Lastly, Africa will need to be very careful in embracing the 'refreshing influence' of the Chinese Model of economic development considered as an attractive alternative to the 'free' and 'open' market economies of the US and EU. Although China has managed to move hundreds of millions of its people out of poverty by combining state intervention with economic incentives to attract private investment, the negative social, trade, competitive and unemployment effects of its FDI

in Africa should just as strongly be considered from a policy point of view (Adisu *et al.*, 2010:5). In the post-GFC era there are already a 'return to the state' inclination in Western ideological frameworks as 'The Great Convergence' to neoliberalism is retracted from in policy formulation, which requires of Africa to carefully balance Sino-Africa-Western interests as well as its policy approaches.

5. Conclusion

It is a positive sign that, in the area of globalisation, Africa has improved in tandem with the world average since 1990, albeit at a low level (from a 30 KOF Index value to about 50). The concern (and explanation) remains largely the other side of the picture which are Africans' low income levels. The ideological and adjustment challenges presented by globalisation should also not be underestimated. While the definition of globalisation is ambiguous, there is even more uncertainty about its theoretical underpinning (neoliberalism) in the post-GFC era. Add to this the asymmetrical effects and implications of *fractured* globalisation, and you have a situation that bears the marks (and historical scars) of an increasing vacuum of governance uncertainty in which struggling African economies become marginalised. Although the value of good domestic economic governance is never in question, it stands to reason whether the *at-all-cost* pursuit of popularised globalisation objectives, to this end, is the best way forward – economically – for Africa. At the moment, however, Africa appears to have no other choice. As the overriding priority, Africa must work towards becoming less dependent on others, and in a very real sense, become the master of its own destiny.

From the analysis in which the impact of economic policy on making an African country (or group of countries) more economically globalised it is clear that it is not the same for all African countries. Results vary, since for poorly performing countries there appears to be a positive correlation between 2006 (pre-GFC) and 2010 (post-GFC), while for the high performers there is a negative correlation. For the other country groups it is rather inconclusive whether improved policy (which in many cases is insignificant) resulted in the country (or group of countries) becoming more globalised.

Finally, while there remains an indisputable correlation between good economic governance and the rewards of globalisation, the problems concerning neoliberal globalisation will certainly need to be addressed in this post-GFC era in order for Africa to make any significant progress compared to developing nations such as India and China, and to prevent its by-and-large marginalisation. It would not be incongruous to assert that, especially in the African context, there is a positive relationship between current globalisation, inequality, unemployment and poverty. The trickle down economy pattern has also consistently failed in Africa. Good governance (global and national) will moreover entail reversing what globalisation stands for: it now seeks to make the population fit for global capital without any plans whatsoever to make capital adapt to the needs of the people. Amuwo (2002:72) insists “the process of reversal would mean more responsible and responsive governments, weak enough to do what the people want, but strong enough to get them to work and to progressively make African states productive economies.”

Appendix 1: Interpretation of the Indexes

KOF Index of Globalisation:

Indices and Variables	Weights
A. Economic Globalisation	**[36%]**
i) Actual Flows	(50%)
Trade (percent of GDP)	(22%)
FDI, stocks (percent of GDP)	(29%)
Portfolio Investment (percent of GDP)	(22%)
Income Payments to Foreign Nationals (percent of GDP)	(27%)
ii) Restrictions	(50%)
Hidden Import Barriers	(22%)
Mean Tariff Rate	(28%)
Taxes on International Trade (percent of current revenue)	(27%)
Capital Account Restrictions	(23%)

Note: The overall Globalisation index (assessing 28 variables) consists of Economic globalisation (36%), Social globalisation (38%) and Political globalisation (26%).

Source: Dreher et al., 2008

Ibrahim Index of African Governance:

This index provides an annual assessment of governance performance in Africa. It consists of 88 indicators drawn from 23 independent international data providers. The Ibrahim Index of African Governance is considered to be the most comprehensive collection of data on African governance (Ibrahim Foundation, 2012).

Indices and Variables	Weights
A. Sustainable economic opportunity (Economic governance)	**[25%]**
i) Public Management	(25%)
Statistical capacity	
Public Administration	

Inflation

Diversification

Reserves

Budget Management

Ratio of Total Revenue to Total Expenditure

Ratio of Budget Deficit or Surplus to GDP

Fiscal Policy

Ratio of External Debt Service to Exports

Reliability of Financial Institutions

Revenue Collection

ii) Business Environment (25%)

Competitive Environment

Investment Climate

Investment Climate for Rural Businesses

Rural Financial Services Development

Bureaucracy and Red Tape

iii) Infrastructure (25%)

Access to Electricity

Road and Rail Networks

Air Transport Facilities

Telephone and IT Infrastructure

Digital Connectivity

iv) Rural Sector (25%)

Public Resources for Rural Development

Land and Water for Low-income Rural Populations

Agricultural Research and Extension Services

Agricultural Input and Produce Markets

Policy and Legal Framework for Rural Organisations

Dialogue between Government and Rural Organisations

Ratio of Budget Deficit or Surplus to GDP

Note: Apart from Sustainable Economic Opportunity, which is the indicator that is used to measure Economic governance in this study, the other three main indicators are Safety & Rule of Law (25% weight), Participation and Human Rights (25%) and Human Development (25%) – all are used to assess the overall Governance index score. The four sub-categories under Sustainable Economic Opportunity all have equal weight (25% each). However, given that the number of variable differs between sub-categories, there is a degree of accepted, implicit weighting (Ibrahim Foundation, 2012).

Annex Table 2a: Comparative indicators for High Performing countries

Indicator	Botswana	South Africa	Namibia	Egypt	Tunisia	Mauritius	Ghana
Sustained real per capita GDP growth (long term)	Good	Good	Good	Fairly good	Fairly good	Moderate	Good
Structural transformation	Good	Good	Fairly good	Moderate	Fairly good	Fairly good	Good
Poverty, inequality reduction	Weak	Weak	Weak	Weak	Weak	Weak	Weak
Social cohesion	Good	Fairly good	Fairly good	Moderate	Weak	Good	Moderate
Youth unemployment (16-35)	Weak	Weak	Very weak	Weak	Weak	Weak	Weak
Institutional & policy dev.	Good	Good	Fairly good	Good	Fairly good	Fairly good	Good
Macroeconomic stability	Good	Good	Fairly good	Fairly good	Good	Fairly good	Fairly good
Political stability	Good	Good	Good	Moderate	Moderate	Fairly good	Fairly good
Business, Investmt attraction	Good	Good	Fairly good	Moderate	Fairly good	Fairly good	Moderate
Infrastructure improvement	Good	Good	Fairly good	Fairly good	Fairly good	Moderate	Fairly good
Improving public finances	Moderate	Fairly good	Weak	Weak	Moderate	Moderate	Good
On track for achieving MDGs	Good	Fairly good	Moderate	Weak	Moderate	Moderate	Moderate
Debt sustainability	Moderate	Fairly good	Moderate	Moderate	Moderate	Very weak	Moderate
Solving crime, corruption	Moderate	Weak	Moderate	Fairly good	Moderate	Moderate	Weak

Annex Table 2b: Comparative indicators for Oil-exporting countries

Indicator	Angola	Nigeria	Algeria	Gabon
Sustained real per capita GDP growth (long term)	Fairly good	Moderate	Moderate	Moderate
Structural transformation	Fairly good	Weak	Weak	Moderate
Poverty, inequality reduction	Weak	Very weak	Very weak	Weak
Social cohesion	Moderate	Weak	Moderate	Moderate
Youth unemployment (16-35)	Weak	Very weak	Very weak	Very weak
Institutional & policy dev.	Fairly good	Moderate	Moderate	Weak
Macroeconomic stability	Moderate	Moderate	Moderate	Fairly good
Political stability	Moderate	Moderate	Moderate	Moderate
Business, Investmt attraction	Moderate	Moderate	Fairly good	Moderate
Infrastructure improvement	Fairly good	Weak	Fairly good	Weak
Improving public finances	Moderate	Moderate	Fairly good	Moderate
On track for achieving MDGs	Moderate	Weak	Moderate	Moderate
Debt sustainability	Moderate	Moderate	Moderate	Weak
Solving crime, corruption	Weak	Weak	Moderate	Weak

Annex Table 2c(a): Comparative indicators for Upward performing countries

Indicator	Rwanda	Cape Verde	Mada-gascar	Sierra Leone	Uganda	Tanzania	Guinea
Sustained real per capita GDP growth (long term)	Fairly good	Fairly good	Moderate	Fairly good	Moderate	Fairly good	Fairly good
Structural transformation	Moderate	Moderate	Weak	Moderate	Fairly good	Moderate	Weak
Poverty, inequality reduction	Weak	Weak	Moderate	Weak	Moderate	Moderate	Very weak
Social cohesion	Moderate	Fairly good	Weak	Moderate	Weak	Fairly good	Moderate
Youth unemployment (16-35)	Very weak	Weak	Moderate	Weak	Moderate	Moderate	Weak
Institutional & policy dev.	Moderate	Fairly good	Weak	Moderate	Fairly good	Fairly good	Moderate
Macroeconomic stability	Fairly good	Fairly good	Moderate	Moderate	Moderate	Fairly good	Moderate
Political stability	Fairly good	Fairly good	Weak	Moderate	Moderate	Fairly good	Moderate
Business, Investmt attraction	Moderate	Moderate	Weak	Moderate	Moderate	Fairly good	Weak
Infrastructure improvement	Weak	Weak	Weak	Weak	Weak	Moderate	Weak
Improving public finances	Fairly good	Fairly good	Moderate	Fairly good	Fairly good	Fairly good	Fairly good
On track for achieving MDGs	Weak	Fairly good	Weak	Very weak	Moderate	Moderate	Weak
Debt sustainability	Moderate	Moderate	Moderate	Weak	Moderate	Moderate	Moderate
Solving crime, corruption	Weak	Moderate	Moderate	Weak	Weak	Weak	Moderate

Annex Table 2c(b): Comparative indicators for Upward performing countries

Indicator	Central African Republic	Mozambique	Ethiopia	Kenya	Mali	Zambia
Sustained real per capita GDP growth (long term)	Moderate	Good	Good	Fairly good	Moderate	Fairly good
Structural transformation	Moderate	Moderate	Fairly good	Moderate	Moderate	Moderate
Poverty, inequality reduction	Weak	Weak	Weak	Weak	Weak	Weak
Social cohesion	Moderate	Moderate	Moderate	Moderate	Weak	Moderate
Youth unemployment (16-35)	Weak	Very weak	Weak	Very weak	Weak	Weak
Institutional & policy dev.	Moderate	Fairly good	Moderate	Moderate	Moderate	Moderate
Macroeconomic stability	Fairly good	Fairly good	Fairly good	Moderate	Moderate	Fairly good
Political stability	Moderate	Fairly good	Moderate	Moderate	Weak	Moderate
Business, Investmt attraction	Moderate	Fairly good	Moderate	Moderate	Weak	Fairly good
Infrastructure improvement	Weak	Moderate	Moderate	Moderate	Weak	Moderate
Improving public finances	Fairly good	Fairly good	Fairly good	Moderate	Moderate	Moderate
On track for achieving MDGs	Moderate	Moderate	Fairly good	Weak	Weak	Moderate
Debt sustainability	Moderate	Moderate	Moderate	Moderate	Moderate	Fairly good
Solving crime, corruption	Moderate	Moderate	Moderate	Weak	Weak	Weak

Annex Table 2d(a): Comparative indicators for Poor performing countries

Indicator	Cameroon	Malawi	Chad	Senegal	Benin
Sustained real per capita GDP growth (long term)	Weak	Moderate	Weak	Moderate	Weak
Structural transformation	Weak	Very weak	Weak	Moderate	Weak
Poverty, inequality reduction	Weak	Weak	Very weak	Weak	Very weak
Social cohesion	Moderate	Fairly good	Moderate	Moderate	Moderate
Youth unemployment (16-35)	Weak	Very weak	Very weak	Weak	Very weak
Institutional & policy dev.	Weak	Weak	Weak	Moderate	Very weak
Macroeconomic stability	Moderate	Moderate	Moderate	Moderate	Moderate
Political stability	Moderate	Fairly good	Moderate	Moderate	Moderate
Business, Investmt attraction	Weak	Weak	Very weak	Weak	Very weak
Infrastructure improvement	Weak	Weak	Very weak	Weak	Very weak
Improving public finances	Moderate	Moderate	Moderate	Moderate	Moderate
On track for achieving MDGs	Weak	Weak	Very weak	Weak	Very weak
Debt sustainability	Weak	Weak	Weak	Moderate	Weak
Solving crime, corruption	Weak	Moderate	Moderate	Weak	Weak

Annex Table 2d(b): Comparative indicators for Poor performing countries

Indicator	Mauritania	Republic of Congo	Burkina Faso	Niger
Sustained real per capita GDP growth (long term)	Weak	Moderate	Moderate	Weak
Structural transformation	Very weak	Moderate	Weak	Weak
Poverty, inequality reduction	Very weak	Weak	Weak	Weak
Social cohesion	Moderate	Moderate	Moderate	Weak
Youth unemployment (16-35)	Very weak	Weak	Moderate	Weak
Institutional & policy dev.	Very weak	Moderate	Weak	Moderate
Macroeconomic stability	Weak	Fairly good	Moderate	Moderate
Political stability	Moderate	Moderate	Moderate	Moderate
Business, Investmt attraction	Very weak	Moderate	Weak	Very weak
Infrastructure improvement	Very weak	Weak	Weak	Very weak
Improving public finances	Weak	Fairly good	Weak	Weak
On track for achieving MDGs	Very weak	Moderate	Weak	Very weak
Debt sustainability	Weak	Moderate	Weak	Weak
Solving crime, corruption	Weak	Moderate	Moderate	Weak

Annex Table 2e: Comparative indicators for Countries in collapse

Indicator	Democratic Republic of Congo	Zimbabwe	Sudan	Cote d'Ivoire
Sustained real per capita GDP growth (long term)	Weak	Weak	Weak	Weak
Structural transformation	Very weak	Very weak	Very weak	Very weak
Poverty, inequality reduction	Weak	Very weak	Weak	Very weak
Social cohesion	Very weak	Moderate	Very weak	Very weak
Youth unemployment (16-35)	Very weak	Very weak	Very weak	Very weak
Institutional & policy dev.	Weak	Very weak	Weak	Weak
Macroeconomic stability	Weak	Weak	Weak	Weak
Political stability	Very weak	Weak	Weak	Very weak
Business, Investmt attraction	Very weak	Very weak	Very weak	Very weak
Infrastructure improvement	Very weak	Very weak	Very weak	Very weak
Improving public finances	Weak	Moderate	Weak	Weak
On track for achieving MDGs	Very weak	Very weak	Very weak	Very weak
Debt sustainability	Weak	Weak	Weak	Weak
Solving crime, corruption	Very weak	Very weak	Very weak	Very weak

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