Globalization: Which way for Africa?

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By

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Mr Chairman,

Distinguished Ladies and Gentlemen,

I thank the organizers for giving me the opportunity to speak on a matter that is close at the heart of progress for mankind, for which the last one year or so has proved instructive for literally every being on earth. Indeed events in the last few months have ensured that dialogues on this nature should and must hold if humanity must understand the form of challenges that have emerged. This is particularly apt for Africa.

Distinguished ladies and gentlemen, 9 months ago, it was anybody’s guess where the world’s economy was moving towards. Related to this uncertainty was the lack of clarity on what would emerge as the new and acceptable economic or global paradigm. For a while it seemed the global economy was spiralling out of control to guess-land; and with it were the carefully developed structure and fabric of social and political spheres which hung precariously on the sling of the global economy. Breaking news and opening news told anyone who cared to listen that the world was on a journey to a strange place.

50 years earlier, it probably could have been a single region or country that would have borne the full impact, with relatively little or hardly any serious effect on the other regions or communities in the globe. In today’s world, the equations have been vastly reconfigured and every community, every home and literally everyone has been affected in one way or the other by the trends. Proponents of globalization have echoed the chorus that, it is the signs of the times, they insist and we have seen that, indeed, globalization makes the world a smaller place by collapsing the borders, closing the space and forcing all of us to reckon with each other. Whether we like it or not.

Conversely many people have perceived that, even though Africa may not have contributed directly or even indirectly to the core problems, she cannot totally escape or extricate herself from the severe implications that are attendant. The current
financial crisis and its aftershocks have severely affected the continent, despite the positive changes of the past decade. The outlook for all African countries from credit rating organizations is negative. A quick look at the sources of international finance indicates that Africa could be affected by the current financial turmoil in a number of ways:

1) Through a reduction in Investment and Official Development Assistance (ODA);
2) Reduction in bank lending and more generally in the availability of credit and investment;
3) Reduction in investment portfolio flows and credit flight;
4) Reduction in remittance from emigrant population;
5) Reduction in export revenues as demand in rich countries starts to shrink and a likely adverse balance of trade;
6) High cost of credit available, as a result of reduced credit ratings;
7) Lay offs and redundancies.

Accordingly, global financial institutions i.e. the IMF, have been riling out new statistics. Africa, which expected to continue to have a growth rate of more than 5% as at October 2008 was revised to about 3.5% in January 2009 and to 1.7% in April this year. Another global institution, the World Bank revised Africa’s growth prospects to 2.4 per cent for 2009.

Directly linked to the downward spiral movement of these figures are the poverty rates, unemployment rates, infant and maternal mortality rates, decline in quality and quantity of infrastructures rates and of course an increase in the chance rates for conflicts and political instability.

Yet Africa must move on and I thank goodness for the several voices that have giving vent to the expression that it may not be that bad after all. Indeed in the last few months, scholars and development practitioners have been upbeat in listing case
studies from different parts of Africa which suggest that the current global conditions may have opened a number of opportunities for Africa.

Added to the steps that have been taken to address this glitch in globalization by the world’s governments are certain steps that should be composite in addressing the present challenges and addressing the older challenges that have held Africa back for a very long time.

For purposes of this discussion and taking into perspective the guidelines for this session, I shall dwell a bit on past experiences and what seems to have worked for me when I had the privilege to superintend over the affairs of my country.

I shall state five areas which I think have been buttressed by the fact of globalization and the recent financial crises that is currently rocking some parts of the globe. These include and are not limited to the issues of

a) Debt reconsideration for Africa and other developing regions
b) Conscious and Responsible leadership
c) Opportunity and job creation
d) Resolution of endless disputes and conflicts
e) Design, development and deployment of appropriate safety nets and

Debt reconsideration for Africa

I dare say but the conditions which precipitated the financial crises and helped to cause the present glitch, have been founded or predicated on a global credit system that fails to take into cognizance important indicators or stop valves that are needed to free up national capital and encourage investments in a pragmatic and sustainable way. This is more so as the wisdom to hold debts against African countries at growing interests rates on the one hand, while giving them conditional aid completely negates the attempt to facilitate
the advance of a broad range primary infrastructure and capacity that would support the growth of development pillars. Africa should continue to make the case for reconsideration of the unsustainable debts profiles that take away important capital that otherwise would be directed at putting up necessary infrastructure that would spur development and create the opportunity for growth.

**Conscious and responsible political and corporate leadership**

Perhaps much more indicative with the problem of globalization is the problem of conscious and responsible leadership. The present glitch has been traced, among others, to the issue of poor political and corporate leadership at both public and private sectors. In Africa these can never be understated. My experience has demonstrated that popular leadership is not always the best form of leadership. Often times this type of leadership is indicative of a lack will to take the critical decisions that could make the difference for fear of losing popularity and the vote. Globalization requires hard and sometimes cold and calculated decisions that, in the short term might prove distasteful, but have a pay-off that are longer on delivery. Notably most African institutions are really still in their formative stages. A strong and cautious leadership is desired for the short term for such institutions. This kind of leadership must be visionary and be driven by principles.

**Opportunity and job creation**

Nothing beats the problems attendant with globalization more than the capacity and the ability of any one nation to provide the enabling environment to generate and sustain opportunities for its citizens and indeed for all those who fall within its borders. In spite the nature of the developed countries who found themselves having to deal with the brunt of the financial crises, a constant has been the attempt to ensure that jobs are preserved or at least maintained or created to lessen the impact of the recent crises. The lesson for Africa here is obvious. In reality it is back economics 101 and or
the statutory obligation of any state to provide for its people. In spite of the capitalistic notion of having to allow the markets to decide everything, clearly the inputs of government is important and has been the sole bastion that steadied the recovery of most of the world’s most industrialized countries.

**Resolution of endless disputes and conflicts**

Disputes and conflicts abound everywhere in the world and on their own do have a value in accentuating diversity and creating the minimum acceptable environment for growth within acceptable norms and relations. They also are the greatest source of instability and create conditions that forever interject development and growth. Africa is almost often synonymous with endless disputes and conflicts. This is unfortunate and true at once. African lives and properties destroyed as well as opportunity could well account for the continents lack of adequate participation in the global economy. The end result is that Africa has been left behind. It also means that, at all times Africa has to play catch-up with the rest of the world. Endless disputes and conflicts do not accentuate Africa’s active play on the global stage and neither do they ensure that Africa reaps any benefits of globalization. Instead the sale of small scale arms, violence against women and children and the attendant vulnerability of selected groups further increases the bad sides of globalization in the promotion of trafficking in people, forced labour and outright slavery of children.

**Design, development and deployment of appropriate safety nets**

Globalization has come too far to be stopped. Although it has been suggested that the global financial crises slowed down globalization, through the attendant protectionism adopted by some governments to save their companies from collapse. Yet this protectionism in the developed countries served as safety nets of sorts for their citizens and to guaranty some major or recovery at the economic replay, one might suggest. It simply
needs the necessary institutions to forestall a complete stagnation of society.

Safety nets and safety valves for Africa should serve to protect the most vulnerable groups of Africans who have been deprived of the basic standards of living or opportunity. Consider people who live in communities that have only just emerged from prolonged conflicts, particularly the women and children. The common attribute is that they are vulnerable to the whims of globalization factors which seek the cheapest inputs for maximum returns without adequate compensation. Inadvertently, Africa loses latent intelligence and capacity

Impact of Current Global Economic Crisis on Africa

Africa is facing a difficult time.

Prior to current global financial meltdown and to food price increases, many African countries had recorded steady and sometimes unprecedented economic growth averaging about 7 per cent per annum, and even more in a few countries. Income levels were rising steadily and progress has been made in reducing poverty and in the provision of basic amenities and infrastructure.

Several countries had also introduced the necessary reforms to firmly anchor African economies into the 21 Century, in particular reforms in the banking and telecommunications sector. African societies were also becoming more coherent and harmonious.

Unfortunately, those remarkable successes are now under stress and under siege. According to IMF projections, global economic growth is expected to drop below zero this year. The impact of the global economic crisis is surely, slowly and steadily creeping in on us. My fear is that the consequence for us in Africa, may be perhaps more severe that its impact on highly industrialised nations, considering the fact that they have safety nets, safety valves and shock-absorbing devices.
One of the unintended consequences of this crisis is that the seeming coordinated action of the world’s most developed economies. In this the developing nations must not be de-linked. The African continental infrastructure like NEPAD must now be re-energised to address the crisis.

The world needs to deal with the threat in a way that will pull each and all out. I hope that the many efforts that are underway will eventually have a positive impact. In future there may be need for the establishment of early warning mechanisms on the global economic front. And a reform of the global banking industry and international financial institutions, to ensure strict regulation of their operations within an across national boundaries.

The critical question for us in Africa is what will be the fate of Africa in this global crisis? I posed a similar question at the end of the Cold War in one of my books “Africa Rise to the Challenge”. At that moment, I pointed out that Africa was on the verge of being delinked from the global economy if we did not act fast. It came to pass that a huge chunk of resources that was initially earmarked for Africa was diverted to Eastern Europe. Geographical contiguity and affinity played a major role in that regard. After all self-preservation is a fundamental law of nature.

Equally, today, we must understand how the current crisis affect Africa’s export and aid dependent economies, as well as the economies of its growing number of middle-income countries?

Predictably, the last Davos Conference concluded that ODA earmarked for Africa may seriously decline because donor countries have been severely affected by the financial crisis. Will it be so tough that they will no longer be able to provide aid to those countries that need it the most.

More importantly, we are already witnessing a serious decline in global trade and investment. Several industries are closing down in Asia, mines are also closing down across Africa and agricultural production is threatened.
The gains that had been made in commodity prices are being reversed. As a result, there has been a shortage of credit and a reduction in purchasing power in the industrialised countries. The capacity of those countries to invest in and purchase commodities from Africa will drop. Consequently, a number of African countries have witnessed a considerable decline in their export earnings in recent months.

[The dramatic decline in oil price to some $55 almost more than a two-thirds decline from the July 2008, peak of $147 per barrel—is partially a result of the market betting on a deep and perhaps protracted global recession. A serious supply crunch is possible down the road if continued low prices lead to cutbacks or delays in investment by oil companies.]

We must also guard ourselves against the possibility of increased protectionism. Already, major economic powers of the US, China, the UK, Germany, India, France and Japan have increasingly been taking measures to safeguard their economies.

**Mr. Chairman, Ladies and Gentlemen,**

Considering that most of our democracies are fledgling and fragile, we should come together to bring about concerted responses to the crisis, and its possible negative effects on the stability of our countries. Indeed, as harsher realities set in, there will be serious outcry from our citizens. We may begin to face street protests that, if not properly handled could spin out of control, and lead us into dangerous situations.

In that context, the African countries should strive to maintain stability and consolidate their hard won gains. They should also continue to remain mindful of development objectives, poverty alleviation targets and the need to attain, as rapidly as possible, the Millennium Development Goals. At the same time, they should continue to work hand in hand with the private sector to further advance structural reform agendas and the liberalisation of critical economic sectors in order to boost prospects for development and growth.
A second and perhaps more important factor is the ability to forge a consensus behind the policy responses. National consensus will give us the basis for devising and adopting regional consensus and ultimately continental consensus. The remedy does not lie with the politicians alone, but also with the private sector and the civil society. Thus arriving at a consensus on how best to deal with the crisis, calls, more than ever before, for greater cooperation between the public and private sectors. One cardinal aspect of this is to avoid any form of protectionism and if anything, Africa must trade more within.

We must encourage a sharp increase in intra-African trade as well as South – South trade. We should strive to produce more of what we need while not ignoring what others want us to supply to them. We must add value. While the current crisis is not Africa’s making, African countries must know, and understand their position as unwilling victims and we must struggle to respond appropriately.

Looking forward, we must be resourceful and be innovative. Every challenge also provides opportunities. We must seek the opportunities and seize them, no mater whether the crisis lasts one year or many years. Those who will emerge strong from it will be the pro-active and the innovative Africans.

I thank you.