Globalization in Africa: Recolonization or Renaissance?

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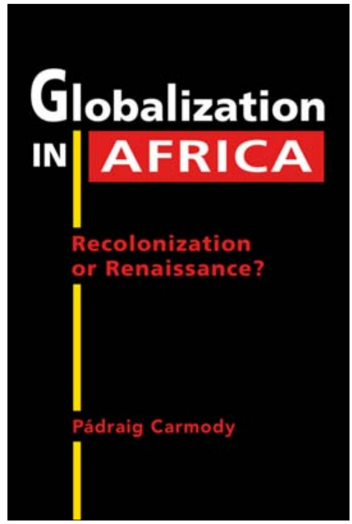

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Introduction

There are two dominant discourses on development in Africa: Africa as a region that has been bypassed by the globalization of the world economy and, alternatively, Africa as a region that has actively suffered from it. According to the well-known economist Jeffrey Sachs, "when the preconditions of basic infrastructure (roads, power and ports) and human capital (health and education) are in place, markets are powerful engines of development. Without these preconditions, markets can cruelly bypass large parts of the world, leaving them impoverished and suffering without respite" (2005, 3). The second perspective argues that exploitation and corruption are at the heart of the continent's problems. "Africa is poor, ultimately, because its economy and society have been ravaged by international capital and local elites who are often propped up by foreign powers" (Bond, 2006, 1).

Irrespective of which of these positions is correct, for much of the past thirty years Africa has commonly been considered the world's greatest developmental failure, plagued by economic decline, corruption, acquired immunodeficiency syndrome (AIDS), environmental degradation, and conflict. While the overgeneralized nature of this Afro-pessimist discourse is problematic, the extent of economic decline of much of the continent cannot be denied. More recently, however, some investment houses, such as Goldman Sachs, as well as academics have written reports and books about "Africa rising" (e.g., Mahajan, 2008). According to one Novartis executive, "it may be at this moment in time we are coming to a kind of inflection point in the development of Africa" (Mahajan, 2008, 11). Others enthuse about the continent's potential economic transformation, with the filmmaker Carol Pineau arguing that

> the South Africans brag that if you drive a Hummer, you're driving a car made in Africa. Ditto if you drive a BMW with the steering wheel on the right-hand side. The next time you fly on a Boeing aircraft, look out the window and you'll see engines with parts made in South Africa. But that country isn't alone. I've seen factories in Lesotho that produce Gap and Old Navy clothing, car parts manufactured in Botswana and call centers in Kenya and Uganda. ("Africa Shines," 2008)

Yet others argue that "growth in Sub-Saharan Africa in the next 30–40 years will be driven by what we have termed the 'Big 5'—Angola, DRC [Democratic Republic of Congo], Kenya, Nigeria and South Africa—markets with a collective balance between resource strength, macro-economic stability and vast human capital and growth potential" (Africa Frontier Advisory, 2008, 1). For other authors, it is Nigeria, Egypt, Kenya, and South Africa (the NEKS) that will be the drivers of growth on the continent in the future (Mahajan, 2008).

From 2000 until the global economic recession began to take hold in 2008, the number of conflicts on the continent declined, rates of economic growth improved, and poverty, depending on how it is defined, may have decreased for the first time in decades. Per capita income rose by 11 percent in Africa from 1995 to 2005 (Arbache and Page, 2007), although the distribution of growth is uneven because Africa has the highest levels of consumption inequality in the world (White et al., 2000). What explains these changed conditions?

Some authors attribute faster economic growth and a fall in the proportion of people living in absolute poverty from the mid-1990s to 2005 to the delayed payoff of neoliberal economic reforms on the continent (Arbache et al., 2008). However, my contention in this book is different. I argue that the current round of economic restructuring in the early years of the new millennium in Africa is shaped by other social processes operating at a variety of scales, and changes to the nature of globalization on the continent itself. I examine how Africa's mode of integration into the global economy over the past decade has changed, and the political, social, and economic ramifications of this.

Although a highly contested term, *globalization* is often defined as the increased interconnectedness between places in terms of trade, investment, and information flows in particular. We are often told in popular media that the world now has a globalized economy, as if it had reached an end point of evolution. However, globalization is a set of social practices that undergo constant renovation and reinvention, making it a particularly interesting topic of study.

As the noted historian Frederick Cooper (2001) argues, Africa has a long history of interconnection with other parts of the world, which far predates the current round of global economic restructuring in the twenty-first century. Others contend that globalization in Africa is merely a historical extension of exploitative relations with the outside world (Bond, 2006). As a result of its historical mode of insertion into the global economy, Africa is both central and peripheral. It is central as a supplier of raw materials; however, this position in the global division of labor has led to marginalization of African economies because prices for primary commodities have tended to fall relative to manufactured goods. The entire formal economy of sub-Saharan Africa, excluding South Africa, is equivalent in size to that of Belgium or Texas.

Globalization in Africa, to date, has been particularly extractive in terms of outward flows of wealth and resources; however, it is also undergoing constant evolution. The nature of globalization in Africa has evolved significantly, particularly in the past decade, as a result of the rise of China and the global technological revolution.

A growing body of academic work in past years has focused on the rising role of Chinese trade and investment in Africa. The increased involvement of the Chinese state and other actors in Africa is driven by increasing global resource scarcity (Klare, 2008), the state-mandated "go-out policy" for Chinese companies, and the extension of Chinese business networks intra- and extraregionally that has recursively promoted globalization (Yeung, 2000).[1] However, much of the work on China in Africa is curiously silent on debates about globalization, despite its being a significant feature of it. This may reflect an implicit Eurocentrism, where the processes of globalization are only perceived to originate in the West. However the "rise of China" in Africa, through the intensification of economic and ideational flows and migration, should be seen as an evolution of globalization on the continent rather than separate from it.

The scale of increased interactions between China and Africa is breathtaking. Chinese trade with Africa grew an astonishing 45.1 percent in 2008 alone to US$107 billion[2] (Centre for Chinese Studies, 2009). China is now the continent's second-largest trading partner, after the United States, and its single largest source of imports.

As the global economy grew in the first decade of the twenty-first century, increased demand for resources from Asia in particular has had substantial impacts on Africa's economies. From 2000 to 2003, China accounted for the vast bulk of increased global demand for aluminum (76 percent), steel (95 percent), nickel (99 percent), and copper (100 percent) (Kaplinsky, 2005). As many African economies are natural-resource based, the continent hosted eight of the world's top twenty fastest growing economies in the world in 2007 (Abiola, 2007). Much of the recent increased economic interest in Africa in the early years of the new millennium is driven by the fact that the continent holds "42% of the world's share of bauxite; 38% of its uranium; 42% of the world's reserves of gold; 73% of its platinum; 88% of diamonds. The continent also has enormous reserves of non-ferrous metals, like chromite (44%), manganese (82%), vanadium (95%) and cobalt (55%)" (R. Bush, 2008, 361).

The United States and China also source an increasing proportion of their oil imports from Africa: 19 percent and 31 percent respectively, making Africa of far greater strategic importance for the latter country (Taylor, 2009). Around 60 percent of what Africa exports to China is oil (Breslin, 2007) and increased Chinese interest in accessing African oil is largely driven by the fact that, with the possible exception of Iran, it is strategically "locked out" of the Middle East by the United States and other Western powers (H. Lee and Shalmon, 2008).

Globalization is certainly not bypassing Africa anymore, if it ever did. However, the "new interregionalism" between Asia and Africa, based on increased trade, investment, and migration, has altered the nature of globalization on the continent. The evolving spatiotemporality of globalization has also had other impacts. While some once theorized that Africa was a "black hole of informational capitalism," the global technological revolution has swept over the continent through the wide-scale adoption of mobile phones. Many of these phones are, of course, manufactured in Asia.[3]

China is now the world's largest producer of mobile phones, and its massive productive capacity, with consequent pressure on prices, has made mobile phones more accessible for Africans. Thus, the rise of China and the spread of the information technology revolution to Africa are not empirically distinct events, but interconnected axes of the wider process of globalization generated, mediated, and promoted through state, corporate, and other social structures. Africa is also integrated into the global mobile phone value chain through the precious metal coltan, without which most modern information and communication technologies (ICTs) would not work. In addition to traditional resource extraction, globalization in Africa has other new axes such as “supermarketization” (Reardon et al., 2003), as South African supermarkets, in particular, spread throughout the continent.

Do the rise of China and other Asian powers in Africa and the “democratization” of globalization through the spread of ICTs in Africa then portend an end to the “resource curse” on the continent, where resource-rich countries often stagnate economically and are more prone to conflict? Higher economic growth generally seems to be associated with a reduction of conflict but, for certain strategic minerals in particular places, this has not been the case. The renewal of conflict in the eastern Democratic Republic of Congo (DRC) is associated with price movements for coltan, as I discuss in Chapter 6. Also the discovery and development of oil fields are associated with renewed conflict in Sudan and Chad.

In contrast to other literature on the subject, I argue that the resource curse is actually a mode of governance in Africa. This mode of governance is based on an implicit transnational contract of extraversion between domestic political elites in Africa and Western or Eastern governments and transnational corporations. The exact impacts of resource extraction are mediated through local sociopolitical formations, however, in a nondeterministic way. But all countries have been affected by another axis of globalization recently: the global economic and financial crisis beginning in 2007.

According to the president of the World Bank, as a result of the global financial crisis “we have seen the dark side of global connectedness” (Beesley, 2008, 19). Whereas the analysts at the investment firm Goldman Sachs developed the hypothesis of “decoupling”—that the emerging major markets of Brazil, Russia, India, and China (BRICs)[4] could grow at a sustained higher rate than the postindustrial countries, particularly the United States—the South African minister of finance uses the term somewhat differently. He speaks of the potential dangers of “decoupling, derailment and abandonment,” as some estimates suggest that net financial inflows into emerging markets will fall from $929 billion in 2007 to $165 billion in 2009 (“South Africa’s Economy: Tough Times Ahead,” 2009). As the region’s largest economy, accounting for about a third of economic output, South Africa is more tightly linked economically to the outside world. The South African rand lost 30 percent of its value against the dollar in the latter part of 2008 (“Africa’s Economy,” 2008).

China is heavily export dependent and, as the US economy contracted, up to 10,000 factories closed in the span of a few weeks in the latter part of 2008 in the Pearl River Delta region of China, which accounts for 36 percent of the country's exports (Coonan, 2008). This in turn has affected Africa because the price of oil fell from a peak of almost $150 a barrel in mid-2008 to less than $40 a barrel, dramatically reducing revenues for African petro-states, although prices recovered somewhat in 2009.[5] This fall in the price of oil has affected other commodities, such as copper, whose price fell by 65 percent from mid- to late 2008 (Herbst and Mills, 2009), affecting Zambia and the DRC in particular. However, as the Chinese economic stimulus package took effect and Chinese companies began to stockpile copper, the price recovered somewhat in 2009. In part, this stockpiling was driven by the Chinese desire to spend US dollars as that currency depreciated.

Thus, despite its marginality in the global economy, Africa has not been unaffected by the current global economic slowdown. These effects have varied, however. Economic growth for the continent as a whole was predicted to slow to 3.25 percent in 2009 by the International Monetary Fund (IMF). Nonetheless, the Economist Intelligence Unit (2008) predicted that seven of the top ten fastest growing economies in 2009 would be in sub-Saharan Africa (Malawi, Angola, Ethiopia, Congo-Brazzaville, Djibouti, Tanzania, and Gambia). I discuss the reasons for this in Chapter 3. While the global financial crisis has affected inflows of foreign direct investment, major Western investors, such as Lonrho and Rio Tinto, and Chinese state-owned corporations continue to look for new investment opportunities on the continent (M. Creamer, 2008). Indeed the global financial crisis has not marked a decisive downturn in commodity prices, which can only go higher as global resource scarcity begins to truly bite, but may mark the beginning of a hegemonic transition from the United States to China. Given the energy and resource intensity of Chinese growth, this has important implications for Africa.

As commodity prices rise substantially again as the global economy stabilizes and starts to grow, what kinds of patterns and potentialities does this portend for Africa? In this book, I explore the geographically varied nature and impacts of recent economic growth in Africa since 2000 through literature review and empirical research to understand historical continuities and differences. Africa has experienced different types and phases of "extractive globalization" from slavery to neoliberalism. But the current conjuncture, while containing elements of "resource colonialism," also has longer-term potential for poverty reduction if African states can be restructured to more effectively coordinate their responses to increased demands for their natural resources and sow resource rents over the longer term. As I discuss in Chapter 7, some valuable lessons may be learned from certain Latin American countries in this regard.

In Chapter 2, which I coauthored with Francis Owusu, we explore the impacts of the fact that African trade is reorienting from the Global North to the Global East. China is now Africa's second-largest trading partner after the United States. At the same time, the United States has increased its strategic engagement with Africa significantly since the terrorist attacks of September 11, 2001. As a consequence of this, the continent has moved center stage in global oil and security politics. We investigate the nature of Chinese and US investment and trade in Africa, look at the ways in which these governments view the continent, and explore the economic and political impacts of enhanced geoeconomic competition between the West and the East. We find that trends in the new millennium are reworking the colonial trade structure, strengthening some authoritarian states, and fueling regionally specific conflicts.

In Chapter 3, I investigate the impacts of the "triangulation effect" from the United States and China on African economies. I provide the theoretical lens through which to explore the recent economic growth episode on the continent starting in the mid-1990s. In particular, I construct an argument that there was a "new scalar alignment" of global factors such as debt relief, higher commodity prices, and Asian investment, with regional and national factors such as the regional reintegration of the South African economy also playing a role. I posit that the new alignment offers developmental potential over the longer term if commodity rents can be effectively captured and sown for structural transformation. However, resource extraction, to date, has been associated with conflict in Africa.

In Chapter 4, I deal with the restructuring of governance on the continent resulting from the increased global demand for resources. Many authors have noted the existence of a resource curse, whereby states with abundant resources are meant to have slower economic growth and other problems (e.g., Sachs and Warner, 2001). This curse is meant to manifest itself from macroeconomic distortions to poor governance. However, African petro-states and mineral-based economies, such as Chad and Sudan, have since 2000 exhibited rapid rates of economic growth. Since 2000 there have been a number of high-profile initiatives centered on improving governance on the continent, such as the Chad-Cameroon oil pipeline, which was meant to result in the channeling of rents into "priority" poverty alleviation sectors. Instead the development of this pipeline, along with another one in neighboring

Sudan, has been associated with conflict and the creation of a "geopolitical fracture zone." I explore the reasons behind this, and impacts of this in Chapter 4.

In Chapter 5, which is based on my primary fieldwork in Zambia, I explore the impacts of the growth episode since the turn of the century in that country. China is now the world's largest consumer of copper and, as a major producer, Zambia has received substantial Chinese investment in the industry. The price of copper rose sevenfold from 2001 to 2006 and this has also stimulated new exploration, increased mining, and generated a variety of multiplier effects throughout the Zambian economy. The Chinese government is also involved in setting up a high-tech industrial zone in Zambia. I seek to assess whether or not greater Chinese involvement represents a transition from relations of dependence to a new era of cooperation among developing countries or a reconstituted hegemony, resulting in enclave-led growth.

Increasing investment by multinational resource companies in Africa is one aspect of globalization, and increased Chinese migration to the continent is another. In Chapter 6, I move to explore yet another axis of globalization that has received considerable attention in both popular and academic writing since 2000: the penetration of mobile phones on the continent. Africa is now the fastest-growing market for mobile phones in the world, at an estimated growth rate of over 60 percent a year. Many of these phones are in fact produced in China; hence, the rise of China in Africa cannot be dissociated from the broader rise of China and the fact that that country is now the world's leading exporter of high-tech products. Imports of mobile phones are one type of counterflow to exports of natural resources from Africa. Less expensive and more accessible telephony can help to overcome infrastructural deficits, cut out middlemen, and open up new opportunities and services for small- and medium-sized enterprises such as e-business and mobile banking. I explore the hypothesis of transformation by examining the way in which Africa is inserted in the global mobile phone value chain and the uses to which the technology is put on the continent.

The global economy has since 2008 experienced a slowdown, the speed of which has taken most commentators and academics by surprise. These global recessionary tendencies also have had contradictory impacts on African economies. For example, gold and some other hard commodities have come to be seen by many investors as safe havens for capital in the context of global falls in stock markets, driving prices higher to the benefit of African gold producers. In the final chapter of this book, I explore the impacts of the global slowdown on Africa and ask whether the new interregionalism that has been forged with Asia is sufficiently dynamic and propulsive for African economies to weather global economic turbulence. I also examine the political economy of changing the resource curse to a blessing. I then assess the long-term historical implications for African economies and prospects for the future. While investigating the environmental and economic impacts of recent Chinese trade and investment, I seek to explore whether or not the realignment of differently scaled social processes opens up the possibility of a poverty-reducing "developmental regime" for the continent or whether the global financial crisis of the 2000s and subsequent economic slowdown will derail potential progress.

Notes

1. The precise mode of China's insertion into the global political economy, and how its political economy has been shaped by this, is superbly described by Breslin (2007).
2. Monetary amounts are given in US dollars.
3. But they are often designed elsewhere, meaning that they form integrated global commodity chains linking three or more continents.
4. Some include South Africa, making this grouping the BRICS.
5. Although there is really no one price for oil. Doba crude from Chad trades at a substantial discount to West Texas oil because it is more viscous, for example.