GLOBALIZATION OF THE WORLD'S ECONOMY: IMPLICATION FOR AFRICA'S ECONOMIC DEVELOPMENT

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Abstract

Globalization finds expression in the process whereby the transmission of knowledge, skills, attitudes, abilities and behaviour cease to be geographically fixed, partly as a result of technology, also through international media. Globalization is a process driven by trade liberalization, modern technology and democratic government and aided by global organizations. Globalization has also been described as a multi-dimensional process of unprecedented rapid and revolutionary growth in the extensiveness and intensity of global interconnections, encompassing globalization of democracy, global technology, revolution in information and communication technology and increasing globalization of culture, but more importantly, globalization of the economy (United Nations Development Programme, UNDP, 2001). The United Nations sees globalization as the reduction and/or removal of barriers between national borders in order to facilitate the flow of labour, capital, goods and services. The researcher uses historical research and content analysis techniques in achieving its aim, because of the nature of the study. The paper addressed the following questions: What is globalization? What is economic globalization? What are its implications for economic development, particularly in Africa? What are its potential benefits? What will developing countries have to do to benefit from it and avoid its downside risks?

Keywords: Globalization, World Economy, Economic Development, Africa

Introduction

It is an indisputable truism that no country in the contemporary world can really be an island unto itself, either due to her vibrant economic strength or political stability, not even the United States of America. The critical message of globalization in this context is that in this moment of integration of global markets, Africa and other developing regions have little choice but to try and join the globalization train despite their disadvantaged position in the process (Kabir, 2012). Globalization has become a major topic of discussion and concern in economic circles. It is clear that the trend toward more integrated world markets has opened a wide potential for greater growth, and presents an unparalleled opportunity for developing countries to raise their living standards (Alassane, 1997).

Globalization finds expression in the process whereby the transmission of knowledge, skills, attitudes, abilities and behaviour cease to be geographically fixed, partly as a result of technology, also through international media. Globalization is a process driven by trade liberalization, modern technology and democratic government and aided by global organizations. Globalization has also been described as a multi-dimensional process of unprecedented rapid and revolutionary growth in the extensiveness and intensity of global interconnections, encompassing globalization of democracy, global technology, revolution in information and communication technology and increasing globalization of culture, but more importantly, globalization of the economy (United Nations Development Programme, UNDP, 2001). The United Nations sees globalization as the reduction and/or removal of barriers between national borders in order to facilitate the flow of labour, capital, goods and services.

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Conceptual Underpinning

In this section, attempt was made to explain the major concept in this study. These are: globalization, economic globalization and world's economy.

What is Globalization?

Globalization means different things to different people. However, simply put, globalization is the movement of people, language, capital, goods, services, ideas etc around the world. Globalization is the process of international integration that is possible and achievable due to the increasing connectivity especially through modern technology, telecommunication and interdependence of the world's markets and businesses. In addition, globalization is said to be a process (or set of processes) that embodies a transformation in the spatial organization of social relations and transactions, generating transcontinental or interregional flow and networks of activity, interaction, and power (Heild, et al., 2001) cited in (Egbule, 2017). Globalization is the process whereby capital market, tourism migration and technology linked the nations of the world together in political, economic, cultural and ecological reaction (Kabir, 2012). Ogakwu and Isife (2013) conceptualized globalization as the process of interaction and integration among the people, companies, and governments of different nations - a process driven by international trade and investment and aided by information technology.

Contributing, Shenkar and Luo (2004) cited in Olubukola (2012) defined globalization as the growing economic inter-dependencies of countries worldwide through the increasing volume and variety of cross-border transactions in goods and services and of international capital flows, as well as through the rapid and widespread diffusion of technology and communication. Ikem and Ebegha (2013) see globalization as the creation of a global economy in which the most remote and culturally distinct nations are joined together by a vast network of international trade. Ebaye (2006) cited in Oleforo (2013) sees globalization as the compression of the world and the intensification of consciousness of the world as a whole and has such products as the emergence of a global division of labour and a deregulated world economy. Waters cited in Oloya and Egbule (2016) defined globalization as a social process in which the constraints of geography or social and cultural management recede and in which people become increasingly aware that they are receding. This definition suggests that the world has become almost without borders (borderless). Simply put, globalization is the transformation of the world into a global village.

Economic Globalization

Economic globalization is the integration of national economies into international economy through trade, foreign direct investment (FDI), capital flow, migration etc. It also connotes the increasing economic interdependence of national economies across the world through a rapid increase in cross-border movement of goods, service, technology and capital. Whereas the globalization of business is centered on the diminution of international trade regulations as well as tariffs, taxes, and other impediments that suppress global trade, economic globalization is the process of increasing economic integration between countries, leading to the emergence of a global marketplace or a single world market. Depending on the paradigm, economic globalization can be viewed as either a positive or negative phenomenon. Economic globalization comprises the globalization of production, markets, competition, technology, corporations and industries. According to Joshi (2009), current globalization trends can be largely accounted for by developed economies integrating with less developed economies by means of foreign direct investment, the reduction of trade barriers as well as other economic reforms and, in many cases, immigration. In fact, no national economy really operates in isolation, which means national economies influence each other. In Unisom with the above statement, Ogunrinola and Osabuohien (2010) assert that economic globalization and its attendant global competitiveness are aimed at increasing the level of interconnectedness among countries for bringing about greater economic integration through trade and other exchanges. These are expected to create improved economic restructuring across the globe. In addition, economic globalization refers to "the intensification and stretching of economic interrelations across the globe" (Steger, 2003). According to Martin, Schumann and Camiller (1997), economic globalization refers to the progressive "networking" of national market economies into a single, tightly interconnected global political economy whose accumulation and distribution of resources are increasingly governed by neoliberal principles-emphasizing the role the market while minimizing governmental involvement in economic matters".

The Concept of World's Economy

Contemporary world's economy is a result of gradual emergence of international economic order, which started from economic conference held at the end of World War II in Bretton Woods, England. Major economic powers of global North reversed their interwar (1918-1939) policy of protectionism. America and England played leading role in the success of that conference (Steger, 2003). Other than reaching towards consensus on increasing international trade, these countries also agreed on establishing binding rules of international activities. Bretton Wood's conference laid foundation for the establishment of other important international organizations like IMF, World Bank and World Trade Organization (Steger, 2003). International Monetary Fund was established to handle international monetary systems. Similarly, World Bank was created to facilitate loan facility for the reconstruction of post-war Europe, its scope was expanded to provide loan for developing countries of the world.

In simple terms, world's economy refers to the economy of the world, comprising of different economies of individual countries, with each economy related with the other in one way or another. A key concept in the world economy is globalization, which is the process that leads to individual economies around the world being closely interwoven such that an event in one country is bound to affect the state of other world economies. The positive implication of world economy is that people are now able to sell their commodity in any market across the world. Likewise, consumers also enjoy a much wider variety of goods and services since they can sample them from other places and not just their own countries alone. According to Alassane (1997), the globalization of the world economy is the integration of economies throughout the world through trade, financial flows, the exchange of technology and information, and the movement of people. The extent of the trend toward integration is clearly reflected in the rising importance of world trade and capital flows in the world economy.

Economic Globalization and its Impact on Africa's Economy

As a fundamental factor affecting humanity in this century, globalization has provided many opportunities. Although, the term globalization seems to be complicated especially in Africa, because of the argument that globalization is the third phase of colonization. Thus, Adesina (2012) cited in Mezieobi (2018) averred that "…some writers characterize globalization as the third phase of colonization, the second phase being neo-colonialism". Economically, according to Bhagwati (2004), many in developing countries see economic globalization as a positive force that lifts them out of poverty. It has many advantages. Some of them are considered, thus:

Since the emergence of globalization, world output has been on the increase. Either this is achievable because of the old David Richardo (1817) theory of comparative advantage, exchange of goods (sometimes raw materials) and services, international or global institutions like the International Monetary Fund (IMF), World Trade Organization (WTO) and so on. Globalization has led to the production, distribution and consumption of goods and services at a global or international level. According to the former, Chief Economist for the South Asia Region at the World Bank, Mr. John Williamson, globalization brings products that would otherwise be unavailable to the countries where the investment occurs, which presumably increases the quality, and therefore, the value of world output (Williamson, 1998). The benefits of these developments are easily recognizable--increasing trade has given consumers and producers a wider choice of low-cost goods, often incorporating more advanced technologies, and facilitated a more efficient use of global resources. Greater access to world markets has allowed countries to exploit their comparative advantages more intensively, while opening their economies to the benefits of increased international competition. The rapid increase in capital and private investment flows has raised the resources available to countries able to attract them, and accelerated the pace of their development beyond what they could otherwise have achieved (Alassane, 1997). Globalization certainly fosters an increase in the level of global output.

Foreigners make up between a fifth or a quarter of the professional workforce in countries like Australia, Canada and Switzerland (Lagarde, 2012). In his view, Lall (2004) stated that when a developing country opens its borders to foreign capital, Foreign Direct Investment (FDI), it would generate positive employment impacts both directly and indirectly through job creation within suppliers and retailers, and a tertiary employment effect through generating additional incomes and so increasing aggregate demand. In addition, the concentration of foreign companies (multi-national corporations like Agip, Mobile, Chevron, Total, etc.) in developing countries has generated, and is still generating employment opportunities for indigenes.

Moreover, greater openness and participation in competitive international trade have increased employment, primarily of skilled labor, in tradable goods sectors. With the expansion of these sectors, unskilled labor has found increased employment opportunities in the non-tradable sectors, such as construction and transportation. The expansion of merchandise trade may also have lessened migrationary pressures. On the other hand, the movement of labor across national boundaries has in many cases lessened production bottlenecks, raising the supply response of recipient economies, and increasing income in the supplying countries through worker remittances. Openness to foreign expertise and management techniques has also greatly improved production efficiency in many developing countries (Alassane, 1997).

Globalization presents many opportunities; educational opportunities inclusive. Education in a globalizing world has benefits that developing nations can and should take advantage of. It has become one phenomenon that described the current world in which we live. I express optimism that education is a stepping-stone to a better world. Through education, we pass on knowledge, learn from each other and better understand each other. It is a bridge between people and generations. Education is a passport to the new world – the globalizing world. In fact, the spread of western education is traced to globalization. Globalization has given rise to many educational opportunities, such as online distance learning; it has attracted foreign students, introduction of new programmes and competition in higher education. Scholarship schemes, online studies are all the benefits of globalization. The Global Distance Learning

Network (GDLN) is one of such initiatives. Opportunities provided by the World Bank Development Research Group Conference for researchers to participate in conferences, is a very good example - this is quite commendable.

Economic integration and free trade conditions have produced an unstoppable movement towards economic globalization. Most economists applaud the trend, pointing to the modernization and growing wealth that have resulted. The positive implication of world economy is that people are now able to sell their commodities in any market across the world. Likewise, consumers also enjoy a much wider variety of goods and services since they can sample them from other places and not just their own countries alone. In fact, an increasingly large share of world GDP is generated in activities linked directly or indirectly to international trade. And there has been a phenomenal growth in cross-border financial flows, particularly in the form of private equity and portfolio investment, compared with the past. In addition, the revolution in communication and transportation technology and the much improved availability of information have allowed individuals and firms to base their economic choices more on the quality of the economic environment in different countries. As a result, economic success in today's world is less a question of relative resource endowments or geographical location than it used to be in the past. Now, it is more a question of the market perception of the orientation and predictability of economic policy (Alassane, 1997).

Globalization fosters economic and human capital development in different countries through the exchange of ideas, goods and services by the globalizing countries. Exchange of ideas, knowledge and technical know-how have led to human capital development which increases efficiency and effectiveness, uniform standards, hence; leading to an increase in output. In fact, it makes possible not only the export and import goods, but it allows for outsourcing services and jobs. It has been seen that jobs in the information technology sector are especially outsourced. Many American companies set up branches in the Indian sub-continent because the labor is relatively cheaper there as compared to their country. This results in a direct increase in their net profits. In addition, as for India, they get a sudden burst of jobs that is helpful for their economy.

Globalization also facilitates development projects in third world countries. For example, the Millennium Development Goals (MDGs) is a project designed primarily to eradicate poverty and hunger, as well as to improve health care in third world countries. In fact, globalization promotes or helps to increase the standard of living of people in Third World countries. The material aids such as food, medicine, vaccines, educational aids, etc given to developing countries by the UNO through specialized agencies like the WHO, UNICEF, etc have helped to raise the standard of living in the developing nations.

Key Issues for Consideration

It is a common knowledge that Africa's development performance has been unimpressive. In fact, majority of African countries, have been adjudged failures in achieving past developmental goals (like MDGs). Some identified issues faced by African countries are weak political institutions, economic dependence, mono-resource reliance, poor infrastructure, weak health systems, capital flight, insecurity, high population growth rate, under-employment and slow technological development. Currently, Africa is the poorest continent on the planet, housing 28 of the world's poorest countries with majority lacking access to basic human needs (nutrition, clean water improved sanitation and shelter). However, rather than completely blaming the developed countries and globalization for their woes and avoidable underdeveloped state, developing countries should consider the following options as remedial strategies, in other to benefit maximally from the inevitable globalization process. While Africa is clearly on the right track, there is still some way to go. I see ten main areas where African countries need to achieve greater progress in order to speed up their participation in globalization:

Technological Development and Revolution

Science and technology are twin factors that tend to revolutionize the world today. A country has to be fully integrated into the world economy in order to harness the benefits of such integration. She has to first embark on serious technological revolution such that it will be able to play significant role in the globalization process. Any nation that is not making concerted efforts at technological revolution is doing so at its own peril. This understanding gave Usman (2000) cited in Ikem & Ebegha (2013) the impression that only the nations that embarked on technological revolution can effectively join the globalized world. Science and technology should be made the key to developing countries' developmental efforts and should be seen to be pursued with zeal and zest.

Partnership with Civil Society

African governments will need to actively encourage the participation of civil society in the debate on economic policy, and to seek the broad support of the population for the adjustment efforts. To this end, governments will need to pursue a more active information policy, explaining the objectives of policies and soliciting the input of those whom the policies are intended to benefit (Alassane, 1997).

Free Competitive Economy

African countries also have to adopt a free competitive economy. They have to transit from government regulated market to a free competitive economy; liberalizing its economy for foreign investors. Capitalist economy (competitiveness) is known all over the world as the economic policy that creates wealth and promotes real growth as production is geared towards profit making.

Reform of Domestic Finance

Developing countries should endeavour to reform their domestic financing to make it strong and capable of supporting their nation's economic growth. A strong financial base is necessary for industrial development. It also guarantees both short-term, medium-term and long-term investment. In Nigeria, for instance, the bank reforms, leading to mergers and acquisitions are geared towards this goal, as they will have the capacity to finance viable capital projects that will improve the national economy. Against this backdrop, the researcher recommends a restructuring the countries' economy in other to minimize the negative effects of globalization and harness its benefits.

Diversification of the Economy

For a very long time, Nigeria, for instance, has completely depended on revenue from crude oil (a one-time agrarian economy). There was a total neglect of other sectors of the economy. This has put serious strain on the revenue from crude oil. Diversification of national economy, therefore, is the only antidote to economic growth and development. The approach has been used by the Asian Tigers to achieve success, as they now emerged as the New Industrialized Countries of the world. Developing countries like Nigeria should divert their interest, especially to agricultural products such as cash crops and animal products, as well as solid mineral exploration. In fact, it can be unequivocally asserted that Africa's development impotence cannot be solely attributed to colonialism, neo-colonialism and imperialism as often perceptively advanced by scholars of radical persuasion; but also its weak domestic economic structure. There is therefore the necessity for African countries to diversify their economic base in order to confront the challenges of contemporary globalization process and remain relevant in the scheme of world events.

Foreign Investment

Developing countries have to attract foreign investments both wholly and in partnership with indigenous entrepreneurs in the areas of construction, power generation, oil refining, real estate development, telecommunications, and gas stations infrastructural provision. In concrete terms, foreign investment has been quite staggering. Globalization and indeed its neo-liberalists expansionism in the African space have opened up a wide economic movement and multi-national labour market orientations (Nwankwo & Ofozoba, 2016).

Improved Human Resources

The governments of the developing countries should develop their human resources to meet up with the knowledge requirements of the globalization process. Most developing countries, has a large chunk of human resources ready to be utilized by foreign firms. Their human resources should be properly developed so that they are able to contribute and participate in national and international economic activities. In the education sector, for instance, the governments of the developing countries should sponsor teachers to attend conferences and seminars both locally and internationally – this will help to update their knowledge on current global issues, especially the application of ICT in the teaching-learning process.

Efficient and Effective Economic Management

No country is poor as far as distribution of natural resources is concern. I believe the main challenge of developing countries is the mis-management available resources, both natural and human, as well as money politics. Hence, they should pursue efficient and effective economic management of their resources so as to raise the people's standard of living and overall economic development of the nations. The resources of the nations should not be wasted through high-level corruption, ethnic sentiment, self-centredness and embezzlement.

Regional Integration

Common regional objectives should be set in terms of international best practices. With closer economic integration, each country has an interest in ensuring that appropriate policies are followed in its partner countries. This could be achieved by coordination the relevant national policies within a regional context. Throughout the continent, African governments are coming together to coordinate components of their policies, and virtually all countries are now members of regional organizations. The regional organizations should seek to push through reforms in the areas of the legal and regulatory frameworks, financial sector restructuring, labor and investment code reform, and exchange and trade liberalization that seek to reach international standards as quickly as possible. The pace of progress should be what is feasible, not what is comfortable for the slowest membe (Alassane, 1997).

Conclusion

We live in a world that is simultaneously shrinking and expanding, growing closer and farther apart such that national borders are increasingly irrelevant (Attah, 1991). Nevertheless, as I pointed out earlier, it is essential to achieve the right combination of policies. Evidences abound that this phenomenon has led to shift in patterns of production and other economic activities in different countries of the world.

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