

Industry and Trade in a Global Economy

With Special Reference to

Sub-Saharan Africa



UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

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Industry and Trade in a Global Economy

Introduction

This paper is divided in two main parts. The first part deals with deep structural changes in the global economy, with new trends in trade and capital flows, with emerging networks of the global manufacturing and global services, and with the consequent reshaping of the architecture of world order based on social rather than geographic divisions. These changes are explained by the ascendancy of a ‘real time’ New Economy driven by accelerated technological change, more especially the fusion of telecommunications with information processing. To the impatient reader it may seem that little of this has any direct bearing on the situation in sub-Saharan Africa. And indeed, in many respects this is so. The disheartening message of this tale is that sub-Saharan Africa is largely left out of the loop of the emerging global ‘knowledge’ economy and informational society of the 21st Century.

In the second part of this paper, the effects of all these changes on sub-Saharan Africa are reviewed, and two relevant propositions are made. The *first* is that the present neo-liberal international trade regime, and the complementary imposition by the international financial institutions of stabilisation and structural adjustment policies on indebted countries in sub-Saharan Africa, have had the effect of keeping the continent out of the loop of the emerging ‘new’ economy and instead have imprisoned its economic resource base more firmly within the ‘old’. The *second* proposition is much more hopeful. The very speed of contemporary technological change within the context of open and aggressively global competition, offers great opportunities, more especially, to sub-Saharan Africa precisely *because* it has been excluded thus far.

Consistent with the generalist ambit of this paper the conclusion offers recommendations for strategic re-orientation, rather than specific policy based solutions.

1. *Globalization and the New Economy*

1.1 *Globalization: three perspectives*

The term ‘globalization’ became fashionable in the 1980s when it began to replace words like ‘internationalization’ and ‘transnationalization’ as a suitable term to denote the ever intensifying networks of cross border interaction in all domains of human activity: social, political, cultural, financial and economic. The concept covers an enormous variety of contemporary social change, the connections between which, even twenty years on, are not yet clear. Indeed, there is a continuing debate as to whether there is such a thing as globalization at all.

A recent authoritative review has identified three broad perspectives: a hyper globalist, a sceptic and a transformationalist position¹. The differences between these perspectives have to do with whether one approaches the question of globalization from the vantage point of *power*, of *markets*, or of *social space*.

1.1.1 *Globalization: market power and the decline of the state*

At one end of the spectrum we encounter the Hyperglobalist thesis. This thesis is advanced by those who focus on the transnationalization of business organization and compare it with the diminishing powers of the nation state². They argue that economic globalization is bringing about the ‘denationalization’ of economies through the establishment of the transnational organization of production, trade and finance. In this ‘borderless’ economy, national governments are said to be relegated to little more than transmission belts for global capital, fashioning domestic economic and social policies to the exigencies of the global market. Meanwhile the declining authority of states is paralleled by a diffusion of authority to other institutions and associations, and to local and regional bodies.

Within this hyper globalist position, normative ideologies clash. Some celebrate the triumph of the global market discipline over state power, while others bemoan the triumph of oppressive global capitalism. But the key consensus within this perspective is that there already exists today an integrated global capitalist economy which imposes a neoliberal economic discipline on all governments such that politics is no longer the ‘art of the possible’ but rather the practice of ‘sound economic management’.

1.1.2 *Globalization: historical continuity of world markets*

The sceptics draw on longitudinal data of proxy measures of cross-border market integration, namely, trade and capital flows, and point out that there is nothing new, and that the world was probably more integrated during the heydays of the Colonial period than even today³. As MIT Professor Paul Krugman put it not very long ago: “There is nothing more to the global economy than trade in goods, services, capital, labour and information, and “that’s it”.... There is no more mystical sense in which we have a global economy. We are living in a world which is about as integrated, give or take a few measures as the world of the 19th Century”⁴ The leading American political scientist, Kenneth Waltz echoed, in 1999: “Although interdependence may have increased in recent decades, it has done so only to 1910 levels of trade and capital flows as a percentage of GNP”⁵.

Here are some of the facts:

In respect of *capital integration*, the sceptics draw attention to the fact that global financial markets continue to fail the critical test of integration, namely, interest rate convergence. Short term interest rate differentials, for example are no smaller now than they were 100 years ago⁶. In respect of *capital flows*, the point is made that as a share of industrial country GDP capital transfers are actually smaller than in the 1890s.⁷ As for *trade*, the pertinent facts are that until the very early 1990s cross border trade as a percentage of global GDP struggled to get to the level of 1913 when over one third of all that was produced in the world flowed across borders.⁸ And while it is true that the growth of world trade during the 1990s has surged ahead of world output much faster than in the 1970s and 1980s, data on trade participation by various groups of countries show that *intensity* of trade is not the same as *extensity* of trade.⁹

1.1.3 Concentration and marginalization

Indeed, we must not confuse ‘globalization’ with the integration of real economies *worldwide*. While globalization has proceeded in the last few decades, the geographic reach of world capitalism has actually receded. For example, if we take as an indicator of global reach the percentage share of all five continents then we find that the percentage share of two and a half continents (with a population of over 70% of the world total) namely Latin America and Africa + Asia outside of ASEAN and Japan, has actually decreased over the last fifty years.

The overwhelming preponderance of the four first tier newly-industrialized economies (NIE’s - Hong Kong, Korea, Taiwan and Singapore) in the developing world’s trade participation is all too often ignored in the hype about world trade integration. Calculations made by the UNCTAD secretariat show just how much of the post-war trade growth of the developing countries has been, and continues to be captured by just these four small economies. Their combined population is 71 million or a mere 3.5% of the total population of the developing world, and yet they contribute about one-third of all the trade of the developing countries.¹⁰

This story of concentration and marginalization also applies to capital flows. In the colonial period, right up till 1960, the Third World had received one half of all global direct investment flows; this percentage declined to one third in 1966, to one quarter in 1974, and to an all time low of 16 % by 1988, when over half of the remaining trickle went to the regions of east and south-east Asia ¹¹. In sum, during the post-war period, foreign direct investment switched away from the far-flung empires of the past into a concentration in just three regions of the world economy: the US, Europe and the Far East.

As was the case with international trade, it seems superficially as if the 1990s have seen a monumental turn around in fortunes, with the developing world, as a whole, receiving no less than 38 per cent of the total of world foreign direct investment (FDI) by 1997.¹² This time, Hong Kong and Singapore are not even included in the developing group. However, this recent FDI-led integration, too, is a highly selective affair. One-third of all developing country inflow goes into China where it ends up in just 8 coastal provinces and Beijing which together number just one sixth of the population; and ninety percent of all developing country

FDI flows end up in just ten countries which, including the coastal regions of China, comprise about 16 % of the world population.¹³

A third and final proxy measure of world integration is the size and direction of portfolio flows. Excluding FDI, net long-term private flows (commercial bank loans, portfolio equity and bonds) to the developing countries increased six-fold from US\$20 billion in 1990 to over US\$130 billion in 1997¹⁴. But the direction of these flows, once again, has been extremely selective, with 60 % going to 6 major recipients in the developing world, and 94% going to 20 countries including 4 so-called transition economies in central and Eastern Europe¹⁵. In fact, as the UNDP *Human Development Report* notes, today only 25 developing countries have access to private markets for bonds, commercial bank loans and portfolio equity. The rest, sub-Saharan countries included are shut out for lack of credit rating¹⁶. Furthermore, if we measure these flows in real as opposed to nominal money terms, then the developing world's recent surge in capital inflows looks even more modest. As UNCTAD notes, in 1999: "despite the much acclaimed absolute rise in capital inflows of developing countries in the 1990s, they have averaged around 5 percent of GNP since the beginning of the decade which was roughly the level prevailing before the outbreak of the debt crisis of the 1980s. If China is excluded, the ratio during 1990-1998 was more than one percentage point lower than during 1975-1982."¹⁷

1.1.4 Globalization: the variable social space of the informational economy

If, for the sceptics, there is no difference between the present and the past, and for the hyperglobalizers, the future is already here, a third position is taken by the transformationalists for whom the present is qualitatively different from the past, yet the future is still open ended. Writers such as Giddens¹⁸, Hoogvelt¹⁹, and most importantly Castells²⁰, take as their starting point neither markets, nor power, but the development of information technology, and, more *especially*, *the fusion of information technology with telecommunications* which can be precisely dated to the early 1980s. Together these have brought 'the annihilation of space through time' and the consequent *ascendancy of real time over clock time*. Real time economic activities and transactions (think of internet business, satellite TV, electronic money transfers,) are those in which price signals and other stimuli to economic behaviour are transmitted to economic participants simultaneously around the world regardless of clock time differences that are determined by spatial distance.

In this view, globalization equates, in the first instance, to the unification of social space. This unification brings about a global network society and 'new' economy based on the *space of flows* and on *timeless time*. Space is defined as the material support of time-sharing social practices. But while in earlier epochs space was prescribed by physical contiguity, today, space is articulated through the circuitry of electronic impulses (micro-electronics, telecommunications, computer processing, broad casting systems etc). This space is fundamentally as borderless as it is timeless. As Manuel Castells has described it, at the coordinates of this circuitry, there emerge 'nodes' and 'hubs' which are, indeed, specific places, with well-defined social, cultural and functional characteristics, as well as, physical locality. (Think of Silicon Valley in California, the 'Cambridge Corridor', and the 'silicon valley' of Bangalore, India). Between the nodes and hubs traverse the flows of capital, of knowledge and information, of technological designs and controls and of other organizational interactions, of images, sounds and symbols. These flows dominate the places, and not the other way around. The nodes and hubs are hierarchically organised depending on the weight

of their relative functions in the network. Thus, in the networks of the global economy only *segments* of economic structures, countries, regions and populations are linked up, and they are linked up in proportion to their particular position in this, *the newest*, international division of labour. Other sectors, agents and local groups are disconnected and marginalized. But crucially, the global network hierarchy continually adapts and adjusts to its competitive, information driven environment with the result that sometimes places are switched off, or down graded while others are being incorporated, upgraded or even created.. Thus the global economy is highly dynamic, highly exclusionary and highly unstable in its boundaries. It is characterised by a variable geometry that dissolves historical, economic geography.²¹

This transformationalist position allows for a degree of optimism about the prospects of inclusion into the globalised economy. The pursuit of the right kind of social and economic policies by national governments (development of information infrastructure, education, and training for the ‘new’, ‘knowledge’, ‘digital’ or ‘real time’ economy being the most important ones) *can* make a difference in so far as it may succeed in placing segments of businesses and of workers in *any* country within the loop of global business flows. However, this view is also marred by pessimism about the systemically exclusionary nature of the process itself.

1.2 Real time markets, flexible enterprise organization, and a new global division of labour

The ascendancy of real time over clock time has its own logic that drives the economics of globalization. The focus in this section will be on just three areas that are relevant, namely ‘digital’ or ‘electronic’ markets, the network enterprise organization, and an evolving *new* global division of labour. Other effects, most importantly in the financial sphere are not here addressed for lack of space.

1.2.1 Markets: from physical to digital markets

First, the ascendancy of ‘real time’ supports the emergence of a global market discipline as contrasted with the existence of a mere global market place, or even a global market principle. Whereas a global market place refers to physical cross-border trade, and a global market principle refers to the emergence, through global competition, of structural constraints of unified standards of quality, costs, and prices, a global market discipline refers to the manner in which these structural constraints are being *internalised* by individual agents in their own conduct. The real time mediated (through satellite TV, the internet etc) ‘awareness’ and ‘consciousness’ of the structural conditions of global competition constrain individuals and groups, and especially national governments to conform to international standards. Workers come to accept that it is ‘proper’ that jobs should be lost because their company ‘has to’ move elsewhere, where wages and social conditions are less demanding. Charles Sabel recalls visiting German Mercedes plants where charts of defect rates for specific processes were displayed on telescreens next to equivalent data for the Mercedes subsidiary in Brazil whose results were better than that of the German facility²². The workers in these two continents were constantly made aware of each other’s speed and quality of operation! This establishes a global social discipline that constrains the behaviour of Brazilian and German workers alike. It is a social discipline that ultimately drives down wages and working conditions to the lowest common denominator all around the planet. The same applies, *mutatis mutandis*, to capitalist entrepreneurs, consumers, and national governments.

By logical corollary, we may put the theoretical proposition that the difference between a global market place and a global market discipline is that whereas, in the case of the former, the market price is the outcome of the interplay between supply and demand, in which supply has always been a function of so-called *cost price plus* calculations, in the case of a global market discipline, prices are determined on the *market price minus* principle. In the 'real time' world of digital markets we see, for example, the emergence of what have been termed 'reverse markets' or 'auction' markets in which consumers post on-line what they are willing to pay for products or services.²³ *Priceline.com*, for example, is an on-line auction place that allows consumers to set the price at which they will buy an airplane ticket. Airlines can then decide if they want to 'hit the bid' and fill a consumer's order. On a big scale, producer/manufacturing companies, such as General Electric, Ford, Chrysler have web-based links to their suppliers that enable these to make bids for component contracts. For example, *FreeMarkets Online* has developed software that enables large industrial buyers to organize on-line auctions for qualified suppliers of semi-standard parts like fabricated electronic components. Auction bidding drives the cost down to the purchaser by about 15-40%²⁴. The cost reducing potential of digital (real time) markets constitutes the core of the claims by globalists and new economy enthusiasts of all round growth and prosperity.

1.2.2 Enterprise organization: flexible connectivity

Second, 'real-time' social space re-orders the way economic activities are being conceptualised and, as a consequence, organised. Whereas, before, it was common to classify economic activities *either* into three categories: primary, secondary and tertiary (agriculture, industry and services), *or* - as in more recent works on international economics - into a chain of high value-added and low value-added activities, today, it makes more sense to re-order economic activities into two: 'real-time' activities where distance and location are no longer relevant as a determinant of economic operations, and 'material' activities where there is still some 'friction of space' that limits choice of location. This twofold conceptualization is beginning to inform the organization of transnational business today, and, in consequence, it is generating an entirely *new* global division of labour.

As the costs of transporting standard products and of communicating information about them continue to drop, modern factories and state-of-the-art machinery can be installed almost anywhere in the globe. The application of information technologies (CAD, CAM and CNC for instance) to the production process has made production capacity in many industries sufficiently flexible to be viewed as a commodity. Two characteristics of modern product and process descriptions, namely, transportability and precise reproducibility have reduced the need to collocate engineering and design with manufacturing except for pilot production.²⁵ VEC (Virtual Engineered Composites) Technology is the latest step in this revolutionary change. It means that thousands of moulded products can be manufactured faster, cleaner and cheaper and by remote control over the internet.²⁶ The implication is that almost all activities of an industrial, indeed any firm, can be outsourced and outsourced competitively.²⁷ The result is the evolution of multinational enterprise from corporate organization to a loosely confederated network structure in which many discrete fabrication activities and services are bought in the short term, relieving the buyer of the cost of accessing capacity by committing to its continued use.

Consequently, in one path of evolution (e.g. the Benetton Model) global industry is developing networks of small independent businesses, spatially dispersed over many different countries, who are providers of flexible capacity and who compete with one another within the electronic network. In another path of evolution, we encounter a dramatic configuration of the corporate organizational model from vertical bureaucracy to what some have termed 'adhocracy', others 'the horizontal organization'²⁸ and still others, the 'post entrepreneurial firm'²⁹. In a third, one observes the interlinking of large corporations in new strategic alliances and co-operative ventures.

The fusion of telecommunications with computer technology has provided the enabling technical framework for all three evolutionary paths towards *flexible connectivity* in which "the actual operating unit becomes the business project, enacted by the network, rather than individual companies or formal groupings of companies".³⁰

On the positive side, the network enterprise model of dispersed manufacturing lowers barriers to entry to non-traditional participants. Enabling regulatory frameworks by national and supra-national authorities of quality assurance through advance process certification, for example ISO 9000, are designed to widen the scope for 'best supplier' status away from traditional long term cosy relations between buyers and their dedicated suppliers and towards greater openness and inclusion. This, *in principle*, allows small companies from poor countries to compete for business with big established ones from rich countries.³¹

1.2.3 *A new global division of labour and a new core-periphery hierarchy*

Routine producers in the UK and the US therefore are in direct competition with millions of producers in other nations. In his book, *The Work of Nations*, Robert Reich, one time Secretary of State for Labor in Clinton's administration, gives spectacular examples of the speed with which factories and productive capital investments have become footloose. For instance, until the late-1970s, the American telephone and telecommunications company AT&T had depended on routine producers in Louisiana to assemble standard telephones. It then discovered that producers in Singapore would perform the same tasks at a far lower cost. Faced with intense global competition they then had to switch to cheaper routine producers in Singapore. But already by the late 1980s they switched production again, this time to Thailand.³²

Such transferable routine production is no longer the preserve of deskilled jobs in 'old economy' industrial plants. The fusion of computer technology with telecommunications makes it possible for firms to relocate an ever-expanding range of operations and functions to wherever cost-competitive labour, assets and infrastructure are available. The new technologies make it feasible to standardize, routinize and co-ordinate activities, which previously were subject to the friction of space and, therefore, regarded as non-tradable. They enable such activities to be turned into 'real-time' activities.

Take, for example, data-processing services of all kinds: Airlines employ data processors from Barbados to Bombay to punch in names and flight numbers into giant computer banks located in Dallas or London. Book and magazine publishers use routine operators around the world to convert manuscripts into computer readable form and send them back to the parent firm at the speed of electronic impulses. In the Caribbean, women do outsource work for US firms, processing airline tickers, credit card transactions and other company data. The New

York Life Insurance Company dispatches insurance claims to Castle island, Ireland, where routine producers, guided by simple directions, enter the claims and determined the amounts due, then instantly transmit the computations back to the United States.³³ Software firms export much of their development work to Bangalore in India which tries to position itself as the Silicon Valley of Asia. In China, call centres have been set up to handle the growth in paging services in Hong Kong, while Ireland is pitching for call centre work across Europe.³⁴ New York medical consultants phone their patient reports to call centres in Bangalore and receive the typed versions back by email attachments.

1.2.4 *A new social core-periphery hierarchy*

There was a time when the geography of the international (as opposed to the new 'global') division of labour ran parallel with the sequential transformation of goods-in-production from low value-added activities to high value-added activities.

The concept of a value-added chain expresses a sequential progression of factor incomes from 'lower value added to higher value-added' activities, as in the transformation of raw cotton to an end consumer product like a garment in a shop window, via intermediate stages of fabrication and processing: spinning, running, dyeing, weaving, cutting, designing, sewing, wholesaling, advertising, marketing and retailing. But there is more to the hierarchical progression than mere sequencing of transformation. The historical development of capitalism on a world scale had concentrated 'higher value activities' at the final, consumer, end of the chain (the consumer markets in the rich countries), while largely (though not exclusively) leaving low value activities in the underdeveloped regions. This yielded a double effect, therefore, in so far as the wages of labour at higher stages of the transformation process, and, therefore, the pass-on prices, are likely to be higher there than at the lower end of the production chain. Furthermore, the more specialized the final product, again more typically at the rich consumer end of the chain, the higher the profit mark-up for such products due to the effect of limited demand. For all these reasons, bulk or volume production, which is typically concentrated at the lower end of the chain, yields lower value-added than specialized, high-tech products which are concentrated at the higher end of the value chain.

The proto-type business model that exemplifies this international division of labour is the footwear company NIKE. NIKE subcontracts 100% of its goods production to nearly 75,000 people employed by its independent subcontractors located in different countries. Its own 9,000 workers focus on design, product development, marketing, distribution, data processing, sales and administrative tasks. NIKE has a performance-oriented inventory control system, making it possible to organise timely production from its different producers located abroad³⁵. This looks promising until one remembers that the basket ball player Michael Jordan who advertises the NIKE brand name makes \$20 million for his contract with NIKE while *all* NIKE's workers in the Third World *together* make \$5 million a year³⁶.

However, today something else is happening. As Paul Krugman has put it, it is now possible to 'slice up' the value chain in a different way, and to *also* re-locate the labour intensive slices in the production of those goods traditionally viewed as skill, capital or technology-intensive, in low-wage locations³⁷. Many information-intensive activities previously classed as 'high value-added' activities are today 'real-time' activities that may be carried out anywhere in the global system. Software firms have exported much of their development work to Asia, in

order to take advantage of much lower wages and to make up for the fact that only one third of the world's computer programmers live in the US.

Thus, the global division of labour is rendering a core-periphery relationship that cuts across national and geographic boundaries, bringing on board within the core, segments of the Third World, and relegating segments and groups in both the traditional core of the system and in the Third World to peripheral status. Core periphery is becoming a *social* relationship, and no longer a *geographic* one.

This new social core-periphery hierarchy is set to become still more uneven than was previously the case. Many high value-added activities that are contributed by so called 'knowledge workers' are extremely *mobile*. Marketing experts, computer consultants, legal affairs specialists, financial accountants and top managers can go to wherever they can obtain the highest price for their services. And, because of the operation of the global market discipline, payments for their services are being equalized across national boundaries, increasingly therefore, at the highest price. Silicon Valley in California, widely recognised as the fountainhead of today's knowledge economy where computer experts are remunerated in high salaries and stock options, has imported no less than one third of its talent from abroad.³⁸ But at the lower end of the value chain exactly the opposite is happening. Low value-added activities are still typically tied to tools and equipment; that is, to knowledge embodied in capital, and/or to the location where raw materials are extracted. At this end of the international production chain, it is capital and not labour that is mobile, a situation that is perpetuated by political intervention designed to stem the free migration of labour. The mobility of capital here implies that wage rates equalize at the lowest possible denominator, and this includes wage rates for such activities in the advanced countries. A recent study has warned of the global gales ahead. The move to market-oriented production in South America, Indonesia, India, parts of China and the rest of south east Asia which is taking place today, is likely to put 1.2 billion Third World workers into world-wide product and labour markets over the next generation. The vast majority of them earn less than \$3 per day. As a consequence, wages in the traditional advanced countries are set to fall by as much as 50 per cent.³⁹

Thus, globalization alters the balance of social classes on a world-wide scale. David Coates is right to point out that looking at it this way "globalization in its modern form is a process based less on the proliferation of computers than on the proliferation of proletariats.... The world proletariat has doubled in size in a generation".⁴⁰

1.3 Globalization: three global social layers

Globalization is thus rearranging the architecture of world order. Economic, social and power relations have been recast to resemble *not* the traditional pyramid of rich and poor countries but instead, a three-tier structure of concentric circles. All three circles cut across national and regional boundaries. In the core circle we find the élites of *all* continents and nations, albeit in different proportions in relation to their respective geographic hinterlands. Very roughly the figures are 40-30-30 in the rich countries, and 20-20-50 in the poor countries.⁴¹ In sub-Saharan Africa, where the middle layer is largely missing, one would guess that the respective proportions are more like 10-20-70. Altogether, looking at the global scale and allowing for the more numerous absolute numbers living in the less developed countries, we may count in the core some 20 per cent of the world population who are "bankable".⁴² They have secure

incomes either from permanent employment contracts, and/or from investments. They are encircled by a fluid, larger social layer of between 20 and 30 per cent of the world population (workers and their families) who labour in insecure forms of employment, thrown into intensive competition in the global market. State-of-the-art technology, frenzied capital mobility and neo-liberal policies together ensure both a relentless elimination of jobs by machines, and a driving down of wages and social conditions to the lowest global denominator. The third, and largest, concentric circle comprises those who are already effectively excluded from the global system. Performing neither a productive function, nor constituting a potential consumer market in the present stage of high-tech information-driven capitalism, there is, for the moment, neither theory, world view nor moral injunction, let alone a programme of action, to include them in universal progress. The present commitment by the international community to target aid flows on poverty alleviation, and the 'social protection' measures that are currently on the agenda of some global agencies, are being regarded as a testimony to a fundamental shift of social policy away from redistribution and inclusion and towards residualization.⁴³

One of the very first of such poverty-focused programmes was the World Bank's 'Social Dimension of Adjustment' programme introduced in Ghana in 1987 under the acronym PAMSCAD (Programme of Actions to Mitigate the Social Costs of Adjustment). In his in depth review of this Programme, Eboe Hutchful has critiqued its limited funding (it relied more on restructuring of public spending rather than on new money), poor design, mistaken emphasis on income differentials between rural and urban poor, and its indifferent implementation. He argues that it reached in fact very few of the people affected by ERP (Economic Reform Programme), and that the so-called 'Poverty Policy' of the Bank was merely a skilful blend of 'smoke and mirrors' to enlist political support for the reforms.⁴⁴

1.4 The New Economy

There is today a gathering consensus that 25 years of investment in the new technologies and new business organizations, both in the traditional 'old economy' industries that manufacture producer goods and durable consumer goods, but, more especially in the new high-tech sectors, including, IT, biotechnology and the media, are finally paying off. Apostles of what has been dubbed 'The New Economy' point to the sustained productivity growth of the US economy since 1994, which is now said to be spreading to other advanced countries.⁴⁵ At the macro economic level, the New Economy enthusiasts celebrate the coming together, in a virtuous cycle, of this sustained productivity growth with low inflation and low unemployment. Some even hail the end of the classic business cycle, that scourge of capitalist economy, in which short periods of boom are inevitably followed by bust. For these enthusiasts, at least, the prolonged crisis of capitalism that began in the early 1970s is definitely over.

Although the terms 'real-time' economy and 'the new economy' are often used interchangeably, there is an analytical distinction to be made. While 'real time' refers to the instantaneity of the process of economic interactions, the 'new economy' is a theoretical concept that points to certain macro-economic effects of a global economy in which real time transactions are becoming paramount. Central to the argument of the rise of a 'new' economy is the notion that knowledge has become the most creative, value-adding factor in production. Whereas in the old economy, land, labour and capital were the only three 'generic' factors of production, in the new economy, the critical assets are know-how, creativity, 'intelligence' or

'information'. Intelligence embedded in software and technology across a wide range of products has become more important than capital, materials or labour. As one writer puts it, "The key to economic advance are the 'recipes' we use to combine physical ingredients in more intelligent and creative ways".⁴⁶

Whilst knowledge or information were always present in production, what characterizes the new economy is that the production of knowledge/information has itself become the leading branch of economic activity. In the US, software companies now employ more than 800,000 people and employment in the industry is growing by 13 per cent a year, compared with a growth of 2.5 per cent in the rest of the private economy. At the same time, the IT sector, despite accounting for only about 8 per cent of America's GDP, now contributes 35 per cent of the country's economic growth.⁴⁷ This is why Manuel Castells, for example, characterises capitalism in its present stage as the 'informational mode of production'.⁴⁸ The informational mode of production is more than just a method of production in which information is applied to production. It is one in which the production of knowledge/information itself has become the dominant sector of the economy.

The knowledge economy behaves in different ways from the traditional three factor-based economy. Brian Arthur, for example, argues that while the traditional economy obeys the general rules of 'diminishing' returns, the new economy obeys the rules of 'increasing' returns.⁴⁹ Knowledge is a factor of production that does not diminish but rather increases its value upon use. The first modern fax machine was worth nothing, but each fax machine that followed increased the value of all the fax machines already in use. In the same way, one might argue that the very suddenness of the e-commerce and e-business explosion since 1998 owes much to the fact that there is now a critical mass of users, so that what was not useful before suddenly becomes valuable.

As we have seen above, the information revolution has hugely extended the range of human transactions (mostly services) that can be made 'tradeable' and thus be subject to market transactions and pricing. This works in two ways: on one hand there are many new services that replace previously costly physical transactions or activities. The explosion in e-commerce and e-business since 1998 is mostly of this *cost reducing* variety. The Secretary General of the OECD, Donald Johnston, expects the figure of all e-transactions to rise to \$1 trillion in 2003-2005.⁵⁰ Think of all those virtual shopping web sites where the transport costs of the shopper and the warehouse costs of the seller have been eliminated. They are widely seen as having been responsible for the slashing of prices and the near zero-inflation that – especially the US economy – now enjoys.⁵¹ On the other hand, there is also a *market creating* variety. Because of 'digital computability' many human activities that were previously free social or free public goods (basically because it was not 'worth' it to put a price on them), can now be made tradeable and subject to pricing, allowing sellers to force users to pay. Think, for example, of the enormous variety of customized risk assessments that make it possible to sell insurance and assurance for an expanding range of situations not previously experienced as "risky". Or think of financial services such as derivatives that owe their existence and profitability to the ability to calculate minuscule variations in movements in interest rates or exchange rates. The net result of this digitization is a *deepening of commodification* that can now override the limits to *the market widening* that brought about the previous (Fordist) crisis in the first place.

In other words, the dynamics of this new economy point to a reconstitution of macro-economic equilibrium at a global level where the global market provides for a balancing of consumption with production while majority segments of humanity are simply excluded, and political and ideological efforts are directed towards insulating this minority globalism from the majority populations.

Last but not least, the new economy is a global economy *not* in the sense of a worldwide economy, but in the sense that has been properly defined by Manuel Castells, as an '*economy with the capacity to operate as a unit in real time on a planetary basis*'.⁵² The new knowledge-based economy is first and foremost a real time economy that, in principle, allows all these new services to be transacted across borders, to be instantly outsourced and hence subjected to one global market price.

2. *Prospects for Sub-Saharan Africa*

Early post-independence growth in sub-Saharan Africa, while externally dependent, had nevertheless been a source of hope and optimism. But this was followed by stagnation and negative growth in all but very few countries (e.g. Mauritius, Botswana) as earlier forms of incorporation into the international division of labour were rendered obsolete when the world economic system globalized and entered the new global division of labour described above.

In the last quarter of the Twentieth Century, Africa's primary commodities trade has collapsed, as a share of overall world trade, from just over 7 percent in 1970 to less than half a percent in the 1990s.⁵³ Its share of manufacturing trade never really got a chance to lift off and went down from an already puny 1.2 percent in 1970 to approximately 0.5 percent today with most of its manufacturing exports originating in just three countries: South Africa, Zimbabwe and Mauritius.

Despite the enormous size of the continent and the seemingly great diversity of the countries: in size of population, in geographic location and physical resource base, in culture and colonial history, the post-independence economic trajectory has been depressingly similar. Healthy annual growth rates in the early period averaged around 5 percent per annum and were propelled in many countries by an even more dynamic growth of manufacturing production driven by strong investment performance which rose from less than 14 percent of GDP in 1965 to over 18 percent in 1973 for the region as a whole.⁵⁴ Between 1965 and 1973, manufacturing output grew by 15 percent per annum in Nigeria, 6.5 percent in Ghana, 12.4 percent in Kenya, 9.8 percent in Zambia, 8.8 percent in Ethiopia, and 8.9 percent in Cote d'Ivoire.⁵⁵

Reversal of these progressive trends came in the middle of the 1970s when a sharp and sustained deterioration in the region's primary commodity prices (coffee, cocoa, tea, cotton, copper, sugar and tobacco) combined with a dramatic increase of import prices caused by the oil price hikes after 1973. The resulting resource gap exposed the vulnerability of a 'self-reliant' strategy in which manufacturing production was largely dependent on imported raw materials and technology. The terms of trade of the SSA non-oil producing countries fell by more than a third between 1977 and 1993 compared with a decline of just 20 percent for other non-oil developing countries.⁵⁶ Only two countries, Mauritius and Zimbabwe, escaped the terms of trade losses between 1977 and 1993, but in 16 others such losses exceeded 30%⁵⁷.

The resulting import compression had adverse effects on both public and private investments, which declined throughout the period. This in turn meant that the SSA countries were unable to make positive *dynamic* structural adaptations to the changing global environment. Foreign investment almost completely dried up as international capital found more profitable outlets in the booming East Asian region. Indeed, the exclusionary logic of the present globalized world order is most dramatically attested in foreign direct investment (FDI) flows. Africa's share of all FDI flows to developing countries has dropped from 13% in 1980 to less than 5 percent today⁵⁸, the bulk of which is concentrated on the four oil-exporters: Nigeria, Angola, Cameroon and Gabon. Private finance generally now contributes less than one tenth of the resource flows into the continent, the rest being made up of various forms of public and publicly guaranteed flows.⁵⁹ And while aggregate net resource flows and aggregate net transfers to SSA as a whole have remained positive thanks to multilateral and bilateral official flows, these have mainly been used to offset balance of payments difficulties rather than

being targeted on investment in new technological capabilities and productive capacity. For all intents and purposes, it would appear that the region is structurally irrelevant to the new global economy.

2.1 Debt and Structural Adjustment : outdated policies

Sub-Saharan Africa's foreign debt which has trebled from \$US 84.1 billion to US\$ 235.4 since the debt crisis first broke in 1982⁶⁰ remains its foremost intractable problem, and the noose which keeps it articulated to the global economic system. Africa's debt gives the international community enormous leverage over the political and economic trajectories of the afflicted countries. This could be the prime reason for the continuation of the *outdated* structural adjustment policies imposed by the IFI's and why, for all the apparent progress toward debt forgiveness, as in the now formally endorsed HIPC (highly indebted poor countries) initiative which involves debt reduction for 41 highly indebted countries (33 African), only two countries, Tanzania and Uganda, have thus far benefited. For the eligibility criteria are linked to the acceptance by the candidate countries to 'sound policies' as defined by the international community. These are all too narrowly focused on *re-engagement with a now obsolete version of a world economy* through trade-related measures, and the development of multi-party democracy and civil society, rather than engagement with the emerging *new* global economy, poverty reduction and human development.

It is important to remember that structural adjustment policies were designed in a previous epoch, under historical conditions that are no longer relevant today. They were imposed on indebted developing countries in the early 1980s when the failure of the 'developmentalist' model previously authored and financed by the international community came to grief. This model had backed autocratic regimes and had helped finance bureaucratic state apparatuses in an effort to overcome what had in those days been perceived as 'internal blockages', for example, the absence of a local entrepreneurial business class. State-led development had spawned a plethora of government interventions in both external and internal markets including the setting of dual exchange rates, the erection of tariffs and other import controls, as well as, domestic subsidies on staple foods and petrol, and the provision of social and welfare services, such as health and education, way beyond the internal financial capacity of the state. It had also buttressed a bulging bureaucracy, and in a few cases fed a kleptocratic elite and made corruption at all levels an endemic feature. But all these had been condoned by an international chorus of donors and scholars for two reasons, one scientific and one strategic political. While the scientific reason hinged on the theory of 'late development', the nature of the modernization and the need to catch up with the West, the geo political reason simply had to do with the realities of the cold war world and the felt need to keep Africa and other developing regions in the capitalist camp.

The moment of truth came in the early 1980s when the failure of developmentalism to raise productivity and hard currency export earnings led to the inability to pay off the international debts incurred during the 'developmentalist' extravaganza. In a first phase of the much lamented⁶¹ structural adjustment programmes the emphasis by the international donor community was largely on economic measures: replacing state sponsored price distortions with 'real' prices; abandoning economic planning in favour of reliance on market forces for regulating the economy; removing price controls and subsidies in favour of price determination by supply and demand; discontinuing deliberate policies of industrialization in favour of greater incentives for the production of export commodities; dismantling import

controls and liberalising foreign trade and payments; privatization of state properties and their sale to foreign interests; cut-backs in social services and removal of the tax burden for the higher income groups. When these policies in their turn failed to deliver the desired results, the emphasis shifted from a focus on economic reforms *per se* to one targeted on the political will and capacity to implement such reforms. In its first review of adjustment policies in Africa, the World Bank made this crystal clear when it coined the term 'good governance' for the purpose.⁶² The international donor community began openly to use terms like 'spoils politics', 'patrimonial state', and 'kleptocracy', to blame the failure of reforms in Africa on the lack of democratic legitimacy that had worsened the crisis because resources were squandered by elites rather than being used in pursuit of economic development objectives. Democratic institutions, it was argued, could provide checks and balances necessary for reform and growth.

Thus, the aim of adjustment was to shatter the dominant postwar, state-led development paradigm and overcome the problems of developmental stagnation by promoting open and free competitive market economies, supervised by minimal states. Between 1980 and 1990, World Bank structural adjustment loans increased from 7 to 187 in 60 developing countries.⁶³

2.1.1 *Structural Adjustment in Africa: The Social and Economic Record*

The 1980's saw 29 sub-Saharan African countries accept the IMF/World Bank medicine. Even in the stated objectives of the multilateral agencies themselves the results were very disappointing. In the region as a whole, Hewitt de Alcantara and Dharam Ghai estimated that per capita incomes declined by 30 per cent over the period 1980-8,⁶⁴ and while it is true that political crises and civil wars in many countries have contributed to this staggering loss of income, the adverse international economic environment (as partly mediated through structural adjustment and debt management policies) can be held responsible for most of it. They argue that this is so, first, because of the *simultaneous* deterioration in nearly all of the countries of the region including those relatively free from internal turmoil, and second because of the *magnitude* of the deteriorating external financial position of sub-Saharan Africa over the period. Based on UN figures, they note an annual loss of \$6.5 billion over the period, even without taking account of capital flight. This total amounted to roughly one-third of total annual imports, 45 per cent of export earnings, 10-11 per cent of the region's combined GDP and 60 per cent of gross capital formation.⁶⁵

The result was in fact so disappointing that a World Bank-sponsored report in 1992, given the frank title 'Why Structural Adjustment has not Succeeded in sub-Saharan Africa', was retrieved from the publishers, re-issued with a less controversial title and embellished with an introduction which pointed out that the analysis was anyway flawed because it failed to distinguish countries that merely signed up to a reform programme from those that carried it out.⁶⁶ It next issued a more upbeat report on the lessons of structural adjustment in sub-Saharan Africa.⁶⁷ Shifting the blame for failure on to the governments of the countries themselves (for not having implemented the World Bank/IMF adjustment policies properly), it argued that only six countries got their macro-economic fundamentals 'about' right (Ghana, Tanzania, Gambia, Burkina Faso, Nigeria and Zimbabwe). This, the report claimed, has resulted in restored export competitiveness with low inflation and improved fiscal balance. The other countries which implemented the policies only partially or not at all, or which backslided, the Report argued, paid the price with negligible or deteriorating growth. But

even these star performers, although eventually returning to positive GDP per capita growth rates, had deteriorating rates of investment.

However, as UNCTAD noted five years later, in 1998, the 'recent faster growth' that has taken place in SSA "has occurred in countries that were not among the World Bank's 'core group of adjusters' and most of the countries that were thought to be pursuing relatively sound policies at the time are not among the strong performers today"⁶⁸ In any case, the UNCTAD report argues that the observed surges of growth can be explained by one-off factors and are unlikely to be sustained. For, the critical point is that despite the implementation of structural reforms in about two thirds of the SSA countries, the private investment response to SAPs continues to be weak.⁶⁹

By the end of the millennium, the average growth rate for the continent had yet to catch up with population growth⁷⁰. Its debt burden in relation to both GDP and in relation to export earnings had risen steeply. Indeed, as a proportion both of GDP, and of exports, the debt burden is higher than for the developing countries as a whole.⁷¹

Ghana's 18 years of experience with IFI imposed Economic Recovery Programmes is a good example of the irrelevancy of imposed macro economic reforms in achieving sustained growth. The more so, since Ghana is one of the few adjusting countries that has been spared the interruptions by civil strife and conflict that has bedevilled many of the other SSA countries. Notwithstanding the accolade of 'model' adjuster, Ghana's economic performance since 1983 has been going up and then down again, to finish at the starting line. GNP growth when averaged over the whole period has not quite managed to level with population growth⁷²; private investment, after an early recovery was interrupted by a decline in 1986 and has remained weak and uneven since.⁷³ Net FDI amounted to a mere US200 million by 1997 (up from 6 million in 1985) and net portfolio investment a negligible US\$ 46 million⁷⁴. The size of external debt, by contrast, had trebled from US 1,4 *billion* dollars in 1980 to 6.2 *billion* in 1996 (current US dollars)⁷⁵. In that same year, external debt amounted to 88.6% of GNP while the debt export ratio was 29.5 %⁷⁶. On the social front, there has been a modest redistribution of income from urban to rural poor resulting a growing incidence of poverty amongst the former and a small reduction of poverty among the latter⁷⁷. But this has to be put within the context of declining standards of living for the vast majority on both sides of the urban/rural divide.⁷⁸ However, on the positive side, Ghana, has slightly moved *up* the UNDP Human Development Index which ranks countries by social progress (using a composite index of life expectancy, educational attainment and income). Where Ghana had ranked 100 out of 130 (placing well within the *low* human development group) in 1987, it now ranks 133 out of 174, and is placed within the *medium* human development group.⁷⁹

Outside of IMF/World Bank circles, few observers have a positive word to say about structural adjustment in Africa. Non-governmental organizations (NGOs) working in the field in Africa are particularly scathing in their critique, none more so than Kevin Watkins of British Oxfam. He sums up his devastating critique as follows:

... the application of stringent monetary policies, designed to reduce inflation through high interest rates, has undermined investment and employment. At the same time, poorly planned trade-liberalization measures have exposed local industries to extreme competition. Contrary to World Bank and IMF claims, the position of the poor and most vulnerable sections of society have all too often been undermined by the deregulation of labour markets and erosion of social welfare provisions, and by declining expenditures on health and education. Women have suffered in extreme form. The erosion of health expenditure has increased the burdens they carry as carers, while falling real wages

*and rising unemployment have forced women into multiple low-wage employment in the informal sector.*⁸⁰

2.1.2 Structural Adjustment: marginalization and selective integration in the old economy

Many have been compelled to ask: what was all this structural adjustment for? What purpose did it serve? The answer is that even if the structural adjustment programmes achieved nothing from the point of view of national territorial development and the improvement of standards of living of the masses in African countries, the programmes were a resounding success when measured in terms of *selective integration into the old economy segment of the global economy*. Structural adjustment has helped to tie the physical economic resources of the African region more tightly into servicing the global system, while at the same time oiling the financial machinery by which ‘wealth’ can be transported out of Africa and into the global system.

* Commodity specialization and debt go hand in hand. Both the World Bank and the IMF have used their leverage on indebtedness to require that production be concentrated on commodity exports. The consequence of this has been a flooding of the commodity markets which forced prices downwards. During the 1980s, the terms of trade for sub-Saharan African commodities fell more rapidly than for any other region of the globe.⁸¹ In fact, the terms of trade of sub-Saharan Africa today are lower than in 1954⁸². For example, taking 1985 as a base year, Ghana’s exports as percent of GDP increased by 70 percent, while imports rose by 55%⁸³. But its terms of trade, as we have seen above, have declined dramatically. Thus, although Ghana is now exporting and importing considerably more as percent of GDP than it did before, this selective integration into ‘old’ and declining world markets its not doing it any good at all. During critical structural adjustment years between 1985 and 1994 terms of trade losses over over 50% were recorded in many populous states, eg. Nigeria, Congo, Kenya, Uganda.⁸⁴ As UNCTAD has noted in the case of *all* developing countries (excluding oil exporters and China), income losses arising from declining terms of trade, already large in the 1980s, have grown larger still in the 1990s and trade deficits too have grown, partly as a result of the increased share of trade in GDP for these countries.⁸⁵

* By far the most pertinent critique to make against the SAPs, is that the excessive focus on export oriented primary production has contributed to a decline in food production making many countries vulnerable to famine and epidemics during periods of droughts, war or other catastrophes. In many SSA countries food production per head is today lower than it was in the mid 1970s.⁸⁶ According to the UNDP Human Development Report, in SSA between 1970 and 1996, the daily per capita supply of calories declined from 2,226 to 2,205 while the daily per capita supply of protein decreased by 5.7 %.⁸⁷

* Secondly, forced privatization was a standard feature of all structural adjustment programmes. In the words of one senior World Bank manager who resigned after 12 years service: “Everything we did from 1983 onwards was based on our new sense of mission to have the South ‘privatized’ or die; towards this end we ignominiously created economic bedlam in Latin America and Africa.”⁸⁸

According to the World Bank, 400 industries were privatized in Africa in the 1980s. These included public utilities such as telecommunications, electricity companies, railways, and credit organizations.⁸⁹ Inevitably, while national stock markets are still small and in the process of being formed, these privatization policies ensured that foreign investors got a large

slice of the action. The under-capitalization of the emerging stock markets proved an attractive hunting ground for the active money managers of core countries' investment funds and more speculative instruments such as hedge funds.⁹⁰ The World Bank reports that between 1989 and 1995 US\$ 1,630 million worth of foreign exchange was raised through privatization in sub-Saharan Africa, well over half of the total of privatization revenues in the continent⁹¹. But note that privatization does not equate with new, so-called, green field investments. The foreign take over of existing state utilities does not add to the investment base: it merely offers foreign investors an opportunity to shift resources out of the country.

* Third, imposed devaluations and interest rate liberalizations have been justly critiqued as encouraging high profits for the largely foreign owned financial sector while production is undermined.⁹² For devaluation increases foreign debts in local currency terms while interest rate liberalization means that governments have to pay higher interest rates on domestic debt. The net result is that budget deficits actually worsen and because governments are not allowed under SAP rules to print money; they end up borrowing more from the IFI's and the private financial markets.⁹³

* Fourth, liberalization of the capital account has encouraged capital flight by domestic residents from African countries to personal accounts and profitable international investment throughout the world. There is ample evidence of growing substantial private accumulation that is not reinvested in the countries where the wealth is generated.⁹⁴

* Fifth, and finally, while African business can not compete in the global economy, the traditional, agricultural sector, has been forced into conversion to export-oriented agriculture and specialized cash crops in a desperate attempt to sell into international markets. Out of season luxury crops have been added to traditional export crops to reach the super markets in the rich countries, for example, cut flowers from Kenya and Zimbabwe, strawberries from Senegal, even lettuce from drought ridden Niger! Thus, even though the agricultural sector is very marginal globally, it is still central in Africa and its deepening insertion into the world economy contributes to disorganizing traditional economic forms. In this sense, Africa is not external to the global economy.

To sum up, largely thanks to structural adjustment policies, *disinvestment* in Africa has occurred at the precise moment in history when the information technology revolution has transformed the infrastructure of production, management, and communications elsewhere in the world. While African firms and labour have been de-linked from the workings of the emerging new global economy, Structural Adjustment Programmes have helped to selectively embed traditional sectors more deeply in a (proportionately) declining old world economy, while at the same time opening up the arteries, whereby, local elites can suck some of the remaining wealth out of the continent.

2.2 *Implications of globalization and of the New Economy*

As we have seen in Part I of this study, globalization involves a seismic shift in market orientation towards intangible information based products, while the application of information technologies to the production process itself results in a long term downward shift in prices for resource inputs. This is bad news for those peripheral regions in the world economy, more especially sub-Saharan Africa, that have to pay their way by exporting primary commodities (other than agricultural foodstuffs), and/or depend on low wages for comparative advantage. The reconstitution of global markets, their flexibility and the reorganization of enterprise organization, have further implications for Africa's re-engagement with the world economy.

2.2.1 *Decline of resource inputs*

First, we have already seen that terms of trade for (non-oil) primary exporters have declined over a long period. In the case of sub-Saharan Africa an additional contributory factor has been the imposition of structural adjustment policies so that the terms of trade of sub-Saharan Africa today are lower than in 1954. But all this is as nothing compared to the *expected future* decline of primary producer prices consequent upon the maturing of the global informational economy. Web-based global production and procurement networks (so-called 'systemated' as opposed to 'automated' production systems) can cut procurement cycles in half, and processing costs by a third.⁹⁵ Smart technologies applied to industrial processes cut waste and hence the unit of resource inputs in relation to each unit of output. In short, any long-term development strategy based on increasing primary commodity exports is doomed to failure.

One exception to this general rule is, possibly, the exports of organically grown foodstuffs. There is indeed a fast growing niche market for out of season fruits and vegetables to cater for the increasingly environmentally anxious and health conscious consumers in rich countries. There may well be a new market, for example, for organic cocoa and coffee. However, mostly, such luxury crops are typically resource displacing *vis-à-vis* staple foods grown for the domestic markets. It is hard to justify basing a development strategy on feeding the rich to live to be 90 when local producers struggle to get to the age of 50!

2.2.2 *Markets not labour*

Second, the advent of the new economy has profoundly altered the historical dynamics of the capitalist mode of production. Previously the logic of capitalist accumulation time and again came up against the contradictions of over accumulation and under consumption, leading to crises, which were eventually overcome, by the invention and diffusion of new technologies, *as well as*, the *enlargement* of markets. The assumption of both neoclassical trade theories and of their Marxist critics (as in 'dependency' theories) was that the capitalist system, or the world market system, was inherently *expansive* in character. As such, it was thought to be forever driven by its own needs to incorporate (and exploit) ever-larger areas of the world. The paradigmatic controversy between the two camps was over the nature of this expansive process: whether it was exploitative and underdeveloping, or progressive and uplifting. But that the process of expansion was inexorable was not questioned by either perspective. It was thought that the relentless search for raw materials, for cheap labour and for market outlets,

time and again would drive capitalism *either* into fresh geographic regions, *or* when these were no longer available, into upgrading existing ones.

However, today, and this is the quintessence of the ‘new economy’ claims, productivity gains in the core of the global, informational economy, can be and are being absorbed by an extraordinary intensification of commodification, in which markets are deepened but not widened. This is why *exclusion* is a systemic counterpart of globalization in the new informational age. In a world in which the richest quintile of world population have income 170 times the 20 percent poorest quintile, market strategy depends entirely on producing for the *have lots*, rather than producing for the *have nots*. With the advent of the new economy, where informational products are becoming the leading branches of industrial activity (see para 1.4 above) such market deepening seems to have, at least for the foreseeable future, overcome the problem of capitalist crisis and accumulation. Already even in the traditional heartlands of the capitalist world economy, the growing polarization of income which is no longer balanced by Keynesian policies of welfare induced demand management have meant that, for example, old economy industries such as the car industry are abandoning the middle income mass market.

These new dynamics of global capitalism nullify all earlier debates over the *pros* and *cons* of import-substitutive industrialization in the poor countries. For the relevant question is no longer whether protection of infant industries is uncompetitive, wasteful and inefficient, rather the question is whether in the absence of such domestic industries, traditional ‘old’ economy products will be supplied at all.

2.2.3 *Rich markets, flexible markets and the logistics flow*

There is evidence that today the choice of location for direct or portfolio investments associated with dispersed, or networked, manufacturing, are first and foremost guided by proximity to large and/or growing markets while low wage conditions comes bottom in a long list of perceived competitive advantages.⁹⁶ This is very different from the historical situation that obtained in the late 1970s and early 1980s when the success of the so-called newly industrializing countries of SE Asia was initially solely based on comparative labour cost advantages and for that reason became the favoured ‘developmental’ model replacing the import-substitutive paradigm that had reigned in earlier periods of ‘modernization’.

There are other competitive conditions that rule out Africa for a long time to come: stable currencies, and a conducive business environment that includes today not merely favourable credit, tax and property regulations, but also local managerial skills and capabilities that assist rather than hinder the logistics flow. For networked manufacturing is tightly linked to the emergence of flexible markets in which constant innovation and adjustment to changing consumer tastes and styles informs the pattern of managerial co-ordination and in which speed of delivery has become just as important as quality or costs.

To know what this implies it is instructive to listen to the words of Victor Fung, the head of a Hong Kong company which acts as a regional sourcing agent for large Western retailers seeking Far Eastern supplies.

“Say we get an order from a European retailer to produce 10,000 garments. It is not a simple matter of our Korean office sourcing Korean products or our Indonesian office sourcing Indonesian products. For this customer we might decide to buy yarn from a Korean producer, but have it woven and dyed

in Taiwan. So we pick up the yarn and ship it to Taiwan. The Japanese have the best zippers and buttons, but they manufacture them in China. Okay, so we go to YKK, a big Japanese zipper manufacturer and order their best zippers from China. Then we determine that because of quotas and labour conditions the best place to make the garments is in Thailand. So we ship everything there. And because the customer wants quick delivery we may divide the value chain to suit the customer's needs. Five weeks after we have received the order the garments arrive on shelves in Europe, all looking as if they were made in the same factory.”⁹⁷

The problem of the logistics flow is that at each stage of this ‘carbo-aggressive’ cross hauling of components, subcontractors must be relied upon not just to deliver their single *low* value added operation, but be entrusted with the un-packaging and re-packaging, quality inspection, and speedy onward shipment of what frequently are *higher* value added operations. Thus, and this is a potentially positive development, the ‘new’ sequencing of the value chain which was described above, puts a premium on a new operational strategy on the part of global network producers, namely that of handling the logistics flow in such a manner that high-skill upstream activities are not at the mercy of low-skill down stream activities. The developmental implication of this new sequencing is in principle positive, namely that there is in fact a renewed impetus to congregate upstream and down stream activities in the same region. In addition, flexibility and speed of operations means that global network producers prefer to have access within their network to several same-component suppliers who compete for orders within their electronic networks. For their part suppliers want, and are encouraged by, their main purchaser, to develop links with other, even competing global manufacturers, and they are expected to develop industrial skills that are commonly used elsewhere.

All of the above put together: markets, flexibility and logistics, implies that one effect of globalization is actually a trend toward *regional clustering of industrial activity and markets*. Indeed, regionalization is now widely recognized to be a necessary condition for globalization.⁹⁸ Without a growing and prosperous regional consumer market, regional business skill development and supportive regionally co-ordinated regulatory frameworks, low wages can not be relied upon as a strategy for global re-engagement through dispersed manufacturing of ‘old’ economy goods. In the context of sub-Saharan Africa, one would therefore have doubts about the long-term success of the export processing enclaves that have been established so as to attract foreign manufacturers unless these policies were to be welded to a vigorous programme of regional integration. The stated intention of some ECOWAS countries to create a currency zone by 2003 is an essential step to such integration.

2.2.4 Production of information goods: get wired

A third effect of the New Economy is *in theory* more promising. The production of information goods *per se*, namely, data processing, computer and internet software, design and advertising, music and entertainment, indeed anything to do with images, symbols and sounds, and ‘virtual’ services of all kinds are in principle able to be outsourced and traded anywhere in the world, and low wage cost advantages can kick in without any problems of logistics or proximity of markets. Pundits of the digital economy argue that increased global networking leverages opportunities for ‘latecomers’ to skip the industrial stage altogether and enter straight into global electronic markets. Some are therefore very optimistic about Africa’s potential. As Nicholas Negroponte, founder of MIT’s pioneering Media Lab and John Perry Barlow, co-founder of the Electronic Frontier Foundation, have put it:

“In an information economy, difference is everything.... Africa’s strength is difference.... Most Africans stayed out of the loop of the 20th Century and were not homogenised into the generic that is now much of the Northern Hemisphere...And thus their continent – so intensely different from the rest of the world, so vastly different within itself – represents a huge and still unconnected battery of stored potential. All it would take for Africa to leapfrog into the wonderland of an information economy would be to attach the electrodes –get it wired, in other words – and then watch its huge voltage zap the gap.”⁹⁹

However, without the requisite information infrastructure in respect of network capability and network connectivity, sub-Saharan Africa will remain the ‘switched off’ region of the world. Whereas one in six people use the internet in North America and Europe, the figure for Africa is one in 5000. Africa generates only 0.4 percent of global Internet content.¹⁰⁰ In sub-Saharan Africa, there is one phone line for every 200 people; the total number of phones in the whole of Africa is less than the number in New York.¹⁰¹

There is clearly a mammoth effort needed to bring Africa on-line, and to educate its people in basic computer skills. On the plus side, the internet *is* growing vigorously in Africa today. For example, at end 1996 only 11 countries had Internet access but by March 2000, 51 countries (including in North Africa) had achieved permanent connectivity, and the total number of computers permanently connected to the Internet in Africa (excluding South Africa) grew by 20 % last year, to reach 12000 in January 2000. A growing number of countries in SSA, namely Ghana, Kenya, Madagascar, Mozambique, Nambibia, Nigeria, Tanzania, Zambia and Zimbabwe and South Africa have POPs not only in the capital cities but also in secondary towns.¹⁰²

Even so, there is still clearly a long way to go, but - surprisingly -, it is in respect of the *technical aspect of connectivity* that – for once – the very speed of technological change works in Africa’s favour, and Africa’s backwardness in fact can give it a head start!! Low Earth Orbit (LEO) Satellite technology, and radio spectrum technology are making terrestrial connectivity technology obsolete. This ‘next’ or ‘third generation’ information infrastructure will combine telephony, with digital television, as well as, with computer capability (PC’s) and internet access; eventually all rolled in to hand held devices. The costs of this technology is high, and, at present, unlikely to come down much in the advanced countries where the traditional telecommunications giants fight ‘gatekeeping’ battles because they face massive write-offs in stranded terrestrial investments.¹⁰³ Africa, by contrast, practically starts with a clean slate. There are tremendous opportunities here that must not be missed.

2.3 *On-line connectivity and off-line self-reliance : A two tier strategy for sub-Saharan regional development*

By way of conclusion, an argument is put below for a development strategy for sub-Saharan Africa that is predicated on the above analysis of a globalized, information driven economy. But as a caveat, the point must be made that international debt forgiveness is an absolutely essential precondition without which the whole exercise becomes pretty pointless.

2.3.1 *On-line connectivity*

(1) The top priority clearly must be to get on-line in order to participate in the global informational age. This for three reasons: *first*, to allow firms and labour to participate in the growing internet based global service economy; *second*, to prepare for future participation in regional networks of global manufacturing, and *third*, to stop a process that is already under way, namely, the control by and dependency on foreign web-based operators of the management of market information and coordination of traditional economy sectors. For example, international tour operators and travel agencies already control what is a promising tourist industry. Even agricultural and mineral exports, constituting the bulk of Africa's exports, are increasingly dependent for the management of information on international operations, as well as, on electronic equipment and chemical/bio-technical inputs for advanced agricultural production.

(2) The expression 'on-line connectivity' is also a metaphor for connectivity with other spheres in the New Economy. New technologies, not just in electronics, but across a whole range of products and processes *continually alter the landscape of comparative advantage*. Indeed, there is actually no such thing a static 'fixed' economic resource. All throughout history resources have become economic only when they became defined as such by available technology that identified, and exploited, their use. This is an extremely important point to bear in mind in the present time of heart-stopping accelerated technological change. And it is one that actually gives a tremendous potential advantage to the continent of Africa.

Take for example photo-electricity. Technological advances are bringing the costs of conversion of solar energy down to levels where soon they will be competitive with fuel-generated energy. Equatorial Africa is set to become the energy hothouse of the 21st century. And while electricity indeed can *not* be transported over long distances, solar generated electricity will offer location specific advantages for energy intensive production. There is even a suggestion that Equatorial Africa could become a preferred location for laser guided commercial satellite launch pads.¹⁰⁴

Bio-medicine is another example. Transgenic technologies now enable pharmaceutical companies to 'mine' the bio-diversity of the planet by taking infinitesimally small samples of plants and soil, carry it back home to their laboratories and produce a variety of drugs and cosmetics which they then 'patent' for exclusive production and distribution. The WTO regime (as, for example, in the TRIPS: transnational intellectual property rights) has come into being to protect these patents. Sub-Saharan Africa has the biggest genetic resource on the planet. There are more 'mineable' species here per square meter than anywhere else. Given the present domination by the developed (rich) countries and their multinationals, it is pointless to try and stop the rapacious exploitation after the fact. For example Madagascar's

unique rose periwinkle plant has been used successfully to develop two anticancer drugs, vincristine and vinblastine, which together have generated more than \$100 million in sales for one global pharmaceutical company. However, as the World Bank notes, Madagascar has received no financial return from these discoveries.¹⁰⁵

Instead, one needs to be ahead in the game and seek out pro - active alliances with companies before the deed is done so that legal frameworks for joint resource sharing may be put in place. And, while the environmental movement may well abhor the encouragement of bio-diversity mining, there is good justification if we consider that *if properly regulated* bio-harvesting is a lot less depleting of bio-diversity than the monoculture associated with the present emphasis on expanded commercial production of 'old economy' crops.

Thus when searching for comparative advantage, sub-Saharan African countries should proceed from a *dynamic resource concept*, and start not with what they have, but what they *might have* along the trajectory of ever faster technological change. To stay ahead in this way, it is essential that Governments seek co-operation with the international scientific community, for example by encouraging their own scientists to set up internet panels with sympathetic colleagues abroad. An immediate policy idea here would be the establishment of a *Technology Observatory*. International organizations like UNIDO might help develop such Observatory as an experiment in capacity building along the lines of, for example, the African Economic Research Consortium which has successfully pioneered the linking of African and non-African scholars working on economic issues.¹⁰⁶

More generally, the 'get on line' strategy requires a three pronged policy platform: (1) technical, in particular, the expansion of service bandwidth, and the increase in internet service providers; (2) content creation; (3) training and education, for access, use *and* content creation. Regarding the technical and content creating aspects, a requisite institutional framework should be developed, from the beginning, within a *regional* space, involving partnerships between Governments, foreign and regional private enterprises. Cross-regional cooperation is the more important since without it the global telecommunications giants are unlikely to put their faith in the growth of African markets. Recently, the British Government raised £26 billion literally 'out of thin air' by auctioning off the franchise for the radio spectrum for the next generation broad band mobile phones networks. But it succeeded because Britain is a rich market with 25 million mobile phone users and an only slightly smaller number of internet users. There has to be that scale of operations.

In respect of training and education for access, content creation and use, Governments could consider the establishment of 'teleports' in communities, nation wide, where, amongst other things, small businesses in the export sector are helped to engage via the Net with importers overseas. For example *Digilead.com* is a database of trade leads to find the latest worldwide business opportunities for exporters and importers. It contains listings for companies who are interested in buying or selling a particular product. There are many more such databases. Governments should set up a *Overseas Business Observatory* as a backstop for such teleports. There could be many more such ideas. The main point is to define a strategic re-orientation towards the new economy away from the old.

2.3.2 *Off-line self-reliance*

Assuming that economic development is still intended to be universal in scope, that is: aiming to raise the standards of living of *all* people, the reality of the present situation is that *ambitions of national industrialization and international competitiveness in respect of old economy products, are contradictory*. Given the nature of contemporary global manufacturing, international competitiveness is restricted to participation in global networks and such participation is, as we have seen, increasingly regionally co-ordinated. It is no longer feasible to slot in with one or two single operations, nor expect to build upon such operations backward and forward linkages of the kind that used to be dreamt about in earlier epochs when comprehensive patterns of integrated industrial progress were on the agenda, and a coherent interface between domestic and export industries could be envisaged. The absence of regional markets, the problem of logistics and physical distance from core markets in Europe and elsewhere, and the currency instability endemic in indebted countries, are all formidable barriers to foreign direct investment in manufacturing. Meanwhile production of basic, and simple technology-based, industrial commodities that meet the needs of developing consumers and producers are likely to be scaled back as the advanced core of the global system moves to ever more sophisticated products and processes. In short, the gap in industrial activity between the rich and poor of the world is now simply too big to be overcome by the imports of technology by the poor from the rich in the manner of the classic ‘modernization and industrialization’ paradigm of earlier epochs. Besides, the expected further decline of the terms of trade for primary products is likely to widen the resource gap that already bedevilled this paradigm in the past.

The inference, therefore, is that in respect of industrial (i.e. in the broad sense of manufacturing, as well as construction) end products and processes that meet domestic needs, all previous arguments of the purported failure of import substitutive industrialization (ISI) and the inefficiencies of local infant industry protection must be revisited and re-assessed. It is often forgotten that within the parameters of the *then* prevailing historical situation, import substitution was after all a successful strategy for delivering consumer goods. Duncan Green reminds us that, for example in Latin America, ISI was successful within its own terms and transformed the region’s economies:

“By the early 1960s, domestic industry supplied 95 percent of Mexico’s and 98 percent of Brazil’s consumer goods. From 1950 to 1980 Latin America’s industrial output went up six times keeping well ahead of population growth.... In the mid 1950s, Latin America’s economies were growing faster than those of the industrialized West”.¹⁰⁷

Enabling policy frameworks *can* be established, even within the limits of the present international trade regimes, to support domestic producers with subsidies and tariffs (although these concessions are time-bound under WTO rules), but the case must be made that such enabling protective frameworks should be extended to the broad context of African regional markets. Furthermore, a vigorous case must be made against the current donor agenda to allow taxes, levies and even export bans on unprocessed agricultural resource exports where these compete with domestic processing industries. African countries can simply not meet basic needs unless they are permitted to harness their agro-resources for their own consumption. In his interesting study of the Mozambiquan cashew nut industry, Joseph Hanlon reports in detail how the current debt relief negotiations under the HIPC programme frustrate government and popular demands for local processing industry protection.¹⁰⁸

There is a big task ahead in challenging the fora overseeing the post GATT Uruguay international trade regime (e.g. WTO, World Bank). Following the analysis in this essay one could argue that this trade regime is based on an outdated model international trade and

competitiveness. The concept of international competition must be better understood within the context of the now operating centrifugal forces of global concentration, regionalization and marginalization. Global NGO networks are vigorously challenging the fora. In this context, it is interesting to note that NGO's now disburse more funds to Africa than the Bretton Woods institutions. They are well resourced, and well-plugged into networks of personnel skilled in alternative technologies and community oriented sustainable development, and by and large, many believe that they are more sympathetic to Africa's problems.

In making the challenge to the current hegemonic international trade regime, two broad analytical distinctions should be given special attention:

First, conceptual distinctions must be made between 'real-time' activities and those activities that still incur the friction of space, broadly speaking: 'new economy' *versus* 'old economy' activities. *Real time service* activities do not pose any burden on the global environment, while real time globally co-ordinated old economy production has in fact added to environmental costs because it permits ever more frantic cross-hauling of components and semi-processed commodities. In an interesting book, *Natural Capitalism - Creating the Next Industrial Revolution*, Hawken and Lovins & Lovins, estimate that at present capitalist business is a free rider on the earth's bio-sphere roughly to the tune of 36 trillion dollars, about the same as world GDP¹⁰⁹. One might argue that the developing countries should make alliances with the ever-stronger environmental movement in the West and argue in favour of costing and labelling of so-called 'travel miles'. This could then be used to justify tariffs on 'material' (as opposed to 'real time') imports, thus giving local producers a competitive chance in the domestic markets.

Second, the argument has to be put that there is a difference between those internationally traded goods that are 'substitution' competitive in the domestic, even regional, sphere and those which are truly internationally competitive. It is one thing to subsidize, for purposes of exports beyond the region, a bicycle or hair dryer, that incorporates patented technology from an overseas parent, but surely it is another to subsidize products that do not meet international standards and are destined for the regional local markets only. The current controversy over the generic production and distribution of aids drugs in Sub-Saharan Africa is a case in point.

2.3.3 Other Policy Implications

These strategic challenges put a special premium on SSA's Governments' ability to put in place an enabling framework for dynamic industrial competitiveness. On the one hand, given the SSA's existing level of development and capabilities, the Governments must pursue a policy of (existing) resource driven industrialization in which increased agricultural productivity aims to improve rural incomes to stimulate domestic demand for domestic industrial goods, preferably, embedded within a wider policy framework for regional cooperation. At the same time, and on the other hand, Governments must engage in strategic interventions to foster export competitiveness for so-called 'rising stars' i.e., those dynamic products for which international trade is, or in future, will be growing faster than the average for all products.

Monetary and fiscal policies must be fine tuned to ensure that support for one strategy does not inhibit the objectives of the other. For example, import tariffs that afford a reasonable

level of effective protection to domestic producers must be counter balanced by a current exchange rate policy that does not induce a bias against exports in favour of imports.

Within the current globalized economy, it is generally understood that it is firms and not countries or governments that compete. But this does not deny the essential role of government in providing the structural preconditions for international competitiveness. On the contrary, there is, today, ample evidence that governments have an enhanced role in developing the physical, informational, human skills and business infrastructure, that will allow their peoples and businesses to compete successfully in the global economy. Nor does a strategy for domestic industrial development run counter to one of international competitiveness. More than before, policy objectives that aim to overcome inadequate technological and managerial skills at small or medium enterprise level become in fact essential prerequisites to promote best practice at international level. Government's role is to encourage enterprises to improve product quality and manufacturing technology, and, thereby, to help companies graduate from protected domestic sectors to more demanding international markets. They have a mediating role in effective marketing that is closely tied to product quality and reliability and in ensuring investment in human and physical capital. These are prerequisites for establishing a reputation as a reliable trading partner.

The experience of the so-called 'second tier' newly industrialized countries of South East Asia is an instructive reminder both of the essential enabling role of Government and of the 'ramping' effect of manufacturing expertise that is built up during a prolonged period of import-substitutive industrialization in resource-intensive sectors and which subsequently acquired export capacities, including jewellery, food processing and wood-based products.¹¹⁰

3. Overall Conclusion

If the above tasks seem somewhat daunting this is so because ‘new’ and ‘old’ economy offer very divergent, indeed contradictory, opportunities and challenges. This has implications not just for governments but also for International Organizations that were set up a long time when other historical structures prevailed. The current dynamics of global capitalist development, and the emerging dichotomy not only between ‘new’ and ‘old’ economy but also between the socially and economically reconstituted core and periphery have profoundly altered the prospects of national economic development, survival even, of largely excluded areas. Certainly in the case of sub-Saharan Africa the notion of nationally coherent strategies for economic development seem increasingly threadbare. From a pragmatic perspective, we have to accept and work with the idea instead that the *dual* economy is here to stay. Small segments of SSA economies and society will be integrated in the borderless global economy but the present strictures and fixtures of the global trade regime and donor agenda precludes the possibility of articulating the benefits into productive and survival gains for the excluded sectors.

Previously, the concept of national economic development was predicated on the political mobilisation and commitment of national elites to territorial accumulation and development. The turbulent history of Africa in the past decades, the financial openness of the global economy in addition to the open globalized trade regime, as well as, the sobering facts of the brain drain from the region have all put paid to this illusion. Moreover, as this study goes to press, some member countries in the European Community (notably the U.K. , the Netherlands, France) are considering a dramatic turnabout in immigration policy involving an active programme of recruitment of highly skilled foreign workers to meet the growing shortage of skilled labour in their IT sectors as well as to address the demographic deficit of their greying populations. Thus, changing public policy in the advanced countries are set to underpin the current evolution towards a global citizenry and confirm an emerging historical logic. This is a logic that draws a new line in the sand, a new primary cleavage in the world economy which is neither one between nations, nor between classes, but instead between those individuals and groups who can participate in the timeless, spaceless flows of money, production and consumption, and those who cannot, and who are thus, in the words of Zygmunt Baumann ‘glebae adscripti’ - forcibly localised.¹¹¹

International organizations such as UNIDO face an enormous challenge in addressing these new realities. UNIDO acknowledges that industrial development needs to be re-thought and re-conceptualised to accommodate the cleavage between global competition on one hand, and local development for survival on the other. In the advanced countries themselves such realities are beginning to be met through quite fundamental changes in public policy. For example, in the UK, government support for small and medium sized businesses is channeled through Training and Enterprise Councils in all regions and these are the responsibility of the Department of Education and Employment, and not of the Department of Trade and Industry whose work is largely focused on the internationalized segment of national industry. A range of social support initiatives are currently targeted on SME’s to encourage them to engage more effectively with deprived communities and excluded social groups.¹¹² From the other side, the concept of community development is being stretched to encompass community economic enterprise and community finance. In short, local economic development is beginning to be re-constructed as a domain of social policy while economic policy *per se* is focused on international competitiveness.

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71. UNCTAD, *op.cit*, note 63, p. 127
72. UNDP, *Human Development Report, 1999*, gives the figure of minus 0.4% over the whole period of 1975-1995 (p. 182)
73. D Goldsbrough, et.al. *Reinvigorating Growth in Developing Countries*, (Washington, international Monetary Fund: July 1996) p. 9 and p. 17
74. UNDP, *Human Development Report, 1999*, table A1.2 p. 51 1999 However, a recent Forum on *Private Capital Flows to Africa, Perception and Reality*, held in the Netherlands argues that since the 1990s subSaharan Africa has in fact been the fastest growing destination for portfolio and direct foreign investments and that the illusion of Africa's exclusion is largely maintained because of lack of adequate reporting of data. These unrecorded flows are however still largely concentrated in traditional mining sectors. See, *The Economist*, 3 July 2000
75. World Bank, *World Development Report, 1998/9*, table 21
76. *Ibid.* Table A1.2, p. 51
77. M. Nowak, *op. cit. note.55* , p. 46
78. For an interesting critique of the World Bank's led definition of 'poverty', in the context of Ghana, see E. Hutchful, *op.cit. note 44*
79. UNDP *Human Development Report, 1990*, and *1999*. Note the Human Development report in the most recent issue has reversed the order of rankings – I have put them back here for the sake of comparison
80. K. Watkins, 'Debt Relief for Africa', *Review of African Political Economy*, Nr. 62 (1994) pp. 117-27, p. 126. For further reading on the evolution of poverty, social conditions and income inequality under structural adjustment, see also G. Cornia, S. Jolly and F. Stewart (eds), *Adjustment with a Human Face: Protecting the Vulnerable and Promoting Growth* (Oxford: Clarendon Press, 1987); and P. Gibbon, 'The World Bank and African Poverty 1973-91', *Journal of Modern African Studies*, 30 (2) (1992) pp. 193-220. See also M. Chossudovsky, *The Globalisation of Poverty, Impacts of IMF and World Bank Reforms*, (Zed Books: London and New Jersey, 1998).
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91. World Bank, *Global Development Finance*, (Washington D.C.: 1997) p.120-21.
92. See for example: Cf. M. Mamdani, Uganda: Contradictions in the IMF Programme and Perspective, in D. Ghai (ed) *The IMF and the South: The Social Impact of Crisis and Adjustment* (London: Zed Books, 1996); P. Lewis and H. Stein, Shifting Fortunes: The Political Economy of Financial Liberalization in Nigeria, *World Development*, Vol. 25,(1) (1997), pp. 5-22.
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96. See for example, a survey carried out by the firm Arthur Anderson for the Invest In France Mission, *International Investment: Towards the Year 2001* (UN: Sales no GV.E.97.0.5, 1997)p. 14
97. Cited in C. Leadbeater, *Living On Thin Air*, op. cit. note 34, p. 126.
98. This point was already understood in the late 1980s when the impact of the application of information technology to the manufacturing process became first fully grasped. In their world-wide best selling book : *The Machine that Changed the World*, Womack et.al. confidently predicted a future dominated by multi-regional companies in which the entire production process from paper design to finished product would be executed in each of the main three regions of the world. J. Womack, D. Jones and D. Roos, *The Machine that Changed the World* (New York: Rawson Associates, 1990) pp. 218-222 .
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